

**MOORS & CABOT, INC.**  
Banking & Advisory Group

NEW ISSUE

Moody's: Aa3  
S&P: AA-

In the opinion of Bond Counsel, under existing statutes and court decisions, and assuming compliance with certain covenants, interest on the Bonds will be excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and such interest will not be treated as a preference item to be included in calculating alternative minimum taxable income under the Code with respect to individuals and corporations; however, such interest will be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the alternative minimum tax and the foreign branch profits tax. Bond Counsel is also of the opinion that the interest paid on the Bonds is exempt from income tax imposed upon individuals by the State of Maine (the "State") under existing statutes, regulations and judicial decisions. **The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.** See "THE BONDS—TAX MATTERS" and "APPENDIX B" herein.

**CITY OF BANGOR, MAINE**  
**\$3,555,000**  
**2007 GENERAL OBLIGATION BONDS**

Dated: May 1, 2007

Due: September 1, as shown below

<u>Year of</u> <u>Maturity</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield or</u> <u>Price</u>	<u>Year of</u> <u>Maturity</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield or</u> <u>Price</u>
2007	\$200,000	4.00%	3.45	2017	\$200,000	4.00%	3.75
2008	200,000	4.00	3.48	2018	195,000	4.00	3.80
2009	200,000	4.00	3.52	2019	145,000	4.00	3.84
2010	200,000	4.00	3.55	2020	145,000	4.00	3.90
2011	200,000	4.00	3.56	2021	145,000	4.00	3.96
2012	200,000	4.00	3.58	2022	145,000	4.00	100
2013	200,000	4.00	3.60	2023	145,000	4.00	4.03
2014	200,000	4.00	3.64	2024	145,000	4.00	4.07
2015	200,000	4.00	3.68	2025	145,000	4.00	4.09
2016	200,000	4.00	3.72	2026	145,000	4.00	4.10

The Bonds will be issued as fully-registered certificates without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. See "THE BONDS—BOOK-ENTRY-ONLY SYSTEM" herein. Principal and interest on the Bonds will be paid to DTC by The Bank of New York Trust Company, N.A., Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on September 1, 2007 and semi-annually on each March 1 and September 1 thereafter until maturity or redemption prior to maturity.

The legal opinion of Pierce Atwood LLP of Portland, Maine, Bond Counsel, will be provided to the original purchaser and will indicate that the Bonds are valid general obligations of the City of Bangor, Maine and, unless paid from other sources, are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, are met, in which case such ad valorem taxes may then be levied without limit as to rate or amount upon all the property within the territorial limits of the City and taxable by it, except to the extent that the City may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality and except to the extent that the City establishes or has established development districts either as tax increment financing districts or affordable housing districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds. See "THE BONDS—SOURCE OF PAYMENTS AND REMEDIES—Limitation on Municipal Property Tax Levy" herein. The Finance Director has certified that no agreements under Chapter 223, Subchapter V, to share assessed valuation with another municipality, now exist. The City has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property in the districts to pay costs of the development project within the districts. Within the limits established by statute, the City has the right to designate additional development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. The opinion will indicate that the enforceability of the obligations of the City, including the Bonds, is subject to and may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity. The opinion will be dated and given on and will speak as of the date of original delivery of the Bonds to the original purchasers.

Bonds maturing on or before September 1, 2016 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing after September 1, 2016 are subject to redemption prior to maturity, at the option of the City, on and after September 1, 2016 as more fully set forth herein. See "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY" herein.

The Bonds are offered when, as and if issued, subject to the approval of legality by Pierce Atwood LLP, of Portland, Maine, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC on or about May 24, 2007.

**A.G. Edwards & Sons, Inc.**

No dealer, broker, salesman or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Issuer and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, any party other than the Issuer. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition or affairs of the Issuer since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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DISCLOSURE CERTIFICATE**

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**CERTIFICATE  
CONCERNING OFFICIAL STATEMENT**

The information contained herein has been prepared by the City of Bangor, Maine with the assistance of Moors & Cabot, Inc., its Financial Advisor, from the records of the City and from various other public documents and sources which are believed to be reliable. There has been no independent investigation of such information by its Financial Advisor or by Pierce Atwood LLP, Bond Counsel, and such information is not guaranteed as to accuracy or completeness and is not intended to be a representation by the Financial Advisor or Bond Counsel.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or its agencies and authorities, since the date hereof.

To the best of the knowledge and belief of the Finance Director, this Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made herein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the City is not guaranteed as to accuracy, completeness or fairness, she has no reason to believe that such information is materially inaccurate or misleading. A certificate to this effect, with such if any corrections, changes and additions as may be necessary, will be signed by the Finance Director and furnished at the closing.

This Official Statement is in a form "deemed final" by the issuer for purposes of Securities and Exchange Commission's Rule 15c2-12(b) [17 C.F.R. §240.15c2-12(b)].

Deborah A. Cyr  
Finance Director  
City of Bangor, Maine

**OFFICIAL STATEMENT**  
**CITY OF BANGOR, MAINE**  
**\$3,555,000**  
**2007 GENERAL OBLIGATION BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the City of Bangor, Maine (the "City" or "Bangor") in connection with the sale of its 2007 General Obligation Bonds (the "Bonds" or the "2007 Bonds").

**THE BONDS**

**DESCRIPTION OF THE BONDS**

The Bonds will be issued only as fully-registered bonds without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York. DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be dated May 1, 2007 and will bear interest, payable on September 1, 2007 and semi-annually thereafter on March 1 and September 1 of each year until maturity or redemption prior to maturity. The Bonds will mature annually as follows:

<u>Amount</u>	<u>September 1,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>September 1,</u>	<u>CUSIP</u>
\$200,000	2007	060095U79	\$200,000	2017	060095V94
200,000	2008	060095U87	195,000	2018	060095W28
200,000	2009	060095U95	145,000	2019	060095W36
200,000	2010	060095V29	145,000	2020	060095W44
200,000	2011	060095V37	145,000	2021	060095W51
200,000	2012	060095V45	145,000	2022	060095W69
200,000	2013	060095V52	145,000	2023	060095W77
200,000	2014	060095V60	145,000	2024	060095W85
200,000	2015	060095V78	145,000	2025	060095W93
200,000	2016	060095V86	145,000	2026	060095X27

It is expected that the Bonds will be available for delivery at DTC on or about May 24, 2007.

Principal of and interest on the Bonds will be payable in Clearing House Funds to DTC, or its nominee, as registered owner of the Bonds by The Bank of New York Trust Company, N.A., Boston, Massachusetts, as paying agent (the "Paying Agent"). Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) will be the responsibility of such Participants and other nominees of Beneficial Owners. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein.

**OPTIONAL REDEMPTION PRIOR TO MATURITY**

Bonds maturing on or before September 1, 2016 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing after September 1, 2016 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after September 1, 2016, as a whole or in part at any time, in such order of maturity as the City, in its discretion, may determine at the respective

redemption price (expressed as percentages of the principal amount of Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

<u>Redemption Period</u>	<u>Redemption Price</u>
September 1, 2016 and thereafter	100%

## **GENERAL PROVISIONS REGARDING REDEMPTION**

### **Notice of Redemption**

In the case of every redemption of the Bonds, the City shall cause notice of such redemption to be given to the registered owner of any Bonds designated for redemption in whole or in part, at his or her address as the same shall last appear upon the registration books kept by the Paying Agent by mailing a copy of the redemption notice by first class mail not less than thirty (30) days prior to the redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the Bondholder actually receives notice. The failure of the City to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any Bond of any other owner.

Each notice of redemption shall specify the date fixed for redemption, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Bonds outstanding are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof (in denominations of \$5,000 or any integral multiple thereof) to be redeemed.

The Paying Agent, on behalf of the City shall notify the Securities Depository (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein) in the same manner as the Bondholders, with a request that the Securities Depository notify its Participants who in turn notify the beneficial owners of such Bonds. Any failure on the part of the Securities Depository, or failure on the part of a nominee of a Beneficial Owner (having received notice from the City, a Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the redemption of such Bond.

### **Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue**

On any redemption date, the principal amount of each Bond to be redeemed, together with the premium, if any, and accrued interest thereon to such date, shall become due and payable. Funds shall be deposited with the Paying Agent to pay, and the Paying Agent is authorized and directed to apply such funds to the payment of the Bonds called for redemption, together with accrued interest thereon to the redemption date and redemption premium, if any. After such redemption date, notice having been given in the manner described above, then, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds. From and after such date of redemption (such notice having been given), the Bonds to be redeemed shall not be deemed to be outstanding.

### **Cancellation**

All Bonds that have been redeemed shall be canceled by the Paying Agent and either destroyed by the Paying Agent with counterparts of a certificate of destruction evidencing such destruction furnished by the Paying Agent to the City or returned to the City at its request.

### **Partial Redemption of Bonds**

Bonds or portions of Bonds to be redeemed in part shall be selected by the City by lot or in such other manner as the City in its discretion may deem appropriate.

### **RECORD DATE; PAYMENT**

The principal of the Bonds is payable upon surrender thereof at the principal Corporate Trust Office of the Paying Agent. Payment of the interest on the Bonds will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof at the close of business on the fifteenth day of the month preceding each interest payment date for the Bonds, and if such day is not a regular business day of the Paying Agent the next day preceding which is a regular business day of the Paying Agent, by check, wire or draft mailed to each registered owner at such person's address as it appears on the registration books, or at another address as is furnished to the Paying Agent in writing by the owner. Interest that is not timely paid or provided for shall cease to be payable to the registered owner as of the regular record date and shall be payable to the registered owner at the close of business on a special record date to be fixed by the Paying Agent.

### **AUTHORIZATION AND PURPOSE**

The Bonds are being issued pursuant to bond orders of the City Council adopted at its meetings (and respective Order number) held on September 26, 2005 (#05-292), August 28, 2006 (#06-292) and March 12, 2007 (#07-096) (the "Orders"). The Orders, subject to approval by the Finance Committee, authorize the City to issue its general obligation bonds to provide funds for the Projects (as described below) that are being financed by Bonds. This authority is granted to the City by Title 30-A, Section 5772 of the Maine Revised Statutes, as amended; and by Article VI, Section 13 of the City's Charter, as follows:

<b>The Projects</b>	<b>Order #</b>	<b>Authorized for the Project Specified</b>	<b>2007 Bonds</b>
Police Station	05-292	\$1,900,000	\$1,900,000
Vehicles	06-292	655,000	655,000
Hammond Street Parking Deck	07-096	1,000,000	1,000,000
		<u>\$3,555,000</u>	<u>\$3,555,000</u>

In the event that any proceeds of the Bonds remain unspent upon completion of the Projects or the City abandons any of the Projects, the City reserves the right to reallocate unspent proceeds to the costs of other qualified projects approved, or to be approved, by the City Council, or to apply unspent proceeds to the payment of debt service on the Bonds.



## AMORTIZATION OF THE BONDS

<b>FY end June 30,</b>	<b>Due Sept 1,</b>	<b>Police Station</b>	<b>Vehicles</b>	<b>Parking Deck</b>	<b>The Bonds</b>
2008	2007	\$95,000	\$55,000	\$50,000	\$200,000
2009	2008	95,000	55,000	50,000	200,000
2010	2009	95,000	55,000	50,000	200,000
2011	2010	95,000	55,000	50,000	200,000
2012	2011	95,000	55,000	50,000	200,000
2013	2012	95,000	55,000	50,000	200,000
2014	2013	95,000	55,000	50,000	200,000
2015	2014	95,000	55,000	50,000	200,000
2016	2015	95,000	55,000	50,000	200,000
2017	2016	95,000	55,000	50,000	200,000
2018	2017	95,000	55,000	50,000	200,000
2019	2018	95,000	50,000	50,000	195,000
2020	2019	95,000		50,000	145,000
2021	2020	95,000		50,000	145,000
2022	2021	95,000		50,000	145,000
2023	2022	95,000		50,000	145,000
2024	2023	95,000		50,000	145,000
2025	2024	95,000		50,000	145,000
2026	2025	95,000		50,000	145,000
2027	2026	95,000		50,000	145,000
<b>Totals</b>		<b>\$1,900,000</b>	<b>\$655,000</b>	<b>\$1,000,000</b>	<b>\$3,555,000</b>

## SOURCE OF PAYMENT AND REMEDIES

### General

The Bonds are general obligations of the City and their payment is not limited to a particular fund or revenue source. Municipalities in the State of Maine (the “State” or “Maine”) have the right to tax their inhabitants to pay municipal indebtedness. The Bonds are payable as to both principal and interest from limited ad valorem taxes unless the City follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, in which case the City has the power to levy such ad valorem taxes without limit as to rate or amount upon all the taxable property within its territorial limits (see also “CITY FINANCES –CHANGES IN PROPERTY TAX LEGISLATION” herein), except to the extent that the City may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, and except to the extent that the City establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds. The Finance Director has certified that no tax base sharing agreement now exists. The City has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property in these districts to pay costs of the development project within the districts (see “CITY FINANCES - TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS” section herein). Within the limits established by statute, the City has the right to designate additional municipal development districts or pursuant to Chapter 206 of Title 30-A of

the Maine Revised Statutes, as amended. There is no statutory provision for a lien on any portion of the tax levy to secure bonds or notes, or judgments thereon, in priority to other claims.

In the opinion of Bond Counsel, the City is subject to suit on the Bonds. The Maine statutes provide that executions against a town shall be issued against the personal property of the residents of that town and real estate within its boundaries, whether or not owned by the town. Only town real estate not used for public purposes, however, is subject to such execution. In addition, the Maine statutes provide that the personal property of the residents and the real estate within the boundaries of any town may be taken to pay any debt of the town. There has been no judicial determination as to whether the statutory remedy of taking property to satisfy debts or judgments is constitutional under current due process and equal protection standards and Bond Counsel expresses no opinion thereon. There has been no judicial determination as to whether statutory remedies available against towns are applicable to cities and Bond Counsel expresses no opinion thereon.

Funds to meet City expenses, including debt service, are not included in the tax levy to the extent they are expected to be met with other non-tax revenues. Amounts necessary to repay sums borrowed temporarily in anticipation of bonds or grants are similarly excluded because they would normally be expected to be paid from the anticipated bond proceeds or grants. Enforcement of a claim for payment of principal or interest on bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of statutes, if any, hereafter enacted by the Congress or the State Legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. The Bonds are not guaranteed by the State of Maine.

### **Limitation on Municipal Property Tax Levy**

Effective July 1, 2005, the Legislature enacted LD 1, codified in part as Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, which, subject to certain procedural overrides, establishes a limit on municipal property tax levies. This limit is referred to as "Property Tax Levy Limit". With certain exceptions, a municipality may not increase its Property Tax Levy Limit from one year to the next by more than a specified growth limitation factor.

The growth limitation factor is: (a) the 10-year average real personal income growth (but no more than 2.75%) plus a property growth factor (when, as currently is the case, the state and local tax burden ranks in the highest 1/3 of all states); or (b) the 10-year average real personal income growth plus forecasted inflation plus a property growth factor (when the state and local tax burden ranks in the middle 1/3 of all states).

In addition, a municipality is required to lower its Property Tax Levy Limit in any year by an amount equal to net new funds provided by the State for existing services funded in whole or in part by the property tax levy.

The City may increase the Property Tax Levy Limit by a majority vote of the entire City Council on a separate article that specifically identifies the intent to exceed the Property Tax Levy Limit. This action, however, is subject to override by initiative upon a petition signed by at least 10% of the number of voters voting in the last gubernatorial election in the municipality submitted within 30 days of the council's vote. However, the opportunity for the voters to petition for a referendum vote on the council's decision is not provided if the municipal charter "prohibits a petition and referendum process".

Article III, Section 2 of the City's Charter states "The right of initiative or referendum provided herein shall not apply to ordinances, orders or resolves providing for the appropriation of money, the municipal budget, the levy of taxes, or the wages or hours of City Employees". Therefore, Bangor's ability to

exceed the Property Tax Levy Limit is not subject to override by voter initiative under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended.

In lieu of increasing the Property Tax Levy Limit, the City Council may vote to exceed the Property Tax Levy Limit for extraordinary circumstances. Exceeding the Property Tax Levy Limit permits the property tax levy to exceed the Property Tax Levy Limit only for the year in which the extraordinary circumstance occurs and does not increase the base for purposes of calculating the Property Tax Levy Limit for future years. Extraordinary circumstances include:

- (1) Catastrophic events such as natural disaster, terrorism, fire, war or riot;
- (2) Unfunded or underfunded state or federal mandates;
- (3) Citizens' initiatives or other referenda;
- (4) Court orders or decrees; or
- (5) Loss of state or federal funding.

Extraordinary circumstances do not include changes in economic conditions, revenue shortfalls, increases in salaries or benefits, new programs or program expansions that go beyond existing program criteria and operation.

Section 5721-A does not limit the amount of taxes which may be raised by a municipality to pay items included in the school budget, governed by and appropriated in accordance with Title 20-A, Chapter 606-B of the Maine Revised Statutes, as amended. The debt service of school bonds is includable in the school budget and the City is therefore able to levy ad valorem property taxes without limit as to rate or amount to pay the debt service on school bonds.

## **TAX MATTERS**

### **The Bonds**

In the opinion of Pierce Atwood, of Portland, Maine, Bond Counsel, interest payable on the Bonds is not subject to Maine income taxes imposed upon individuals. Under existing statutes, regulations and court decisions interest on the Bonds is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation. Interest on the Bonds will not be treated as a preference item in calculating alternative minimum taxable income of individuals; however, interest on the Bonds will be includable in the adjusted net book income or adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax imposed upon corporations and will be taken into account in the computation of the foreign branch profits tax.

Bond Counsel's opinion will state that the Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements regarding use, expenditure and investment of the proceeds of the Bonds and the timely payment of certain investment earnings to the U.S. Treasury that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Bonds to be included in the gross income of the owner thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The opinion will further state that Bond Counsel has examined the Arbitrage and Use of Proceeds Certificate and the General Certificate of the Finance Director and the Issuer's Certificate Regarding Qualified and Designated status (the "Tax Certificates") all delivered by the City concurrently with the

Bonds, which will contain provisions and procedures regarding compliance with the requirements of the Code. The City, in executing the Tax Certificates, will certify to the effect that the City will comply with the provisions and procedures set forth therein and do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall not be included in the gross income of the owner thereof for federal income tax purposes. In rendering its opinion Bond Counsel will rely upon the representations of the City set forth in the Tax Certificates and assume that the City will comply with the provisions and procedures set forth in the Tax Certificates.

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and is treated as “disqualified income” for purposes of determining whether an individual is eligible for the earned income tax credit. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

*The City will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.*

#### **Original Issue Discount/Premium**

For federal income tax purposes, original issue discount with respect to a bond is equal to the excess, if any, of the stated redemption price at maturity of such bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all substantially identical Bonds were sold. Original issue discount accrues over the term of a bond in accordance with Section 1272 of the Code. Purchasers of the Bonds should consult their own tax advisers with respect to the computation of original issue discount on such accruals of interest during the period in which any such Bond is held.

The excess, if any, of the tax basis of the Bonds to a purchaser (other than a purchaser who holds such Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is “bond premium.” For federal income tax purposes, bond premium is amortized over the term of such Bonds, is not deductible and reduces the purchaser’s adjusted tax basis. Bond purchasers should consult their own tax advisers with respect to the tax consequences of bond premium.

Bond Counsel will not express an opinion regarding the treatment of original issue discount or bond premium for federal income tax purposes.

#### **BOOK-ENTRY-ONLY SYSTEM**

The Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company (“DTC”), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to Beneficial Owners of Beneficial Ownership Interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Indenture.

**The following information about the book-entry only system applicable to the Bonds has been supplied by DTC. None of the Issuer, the Paying Agent or the Underwriter makes any representations, warranties or guarantees with respect to its accuracy or completeness.**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC").

DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial

Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

## **RATINGS**

The City has applied to Moody's Investors Service ("Moody's") and Standard & Poor's, Public Finance Ratings ("S&P") for ratings on the Bonds. The City has furnished the rating agencies certain information and materials, some of which may not have been included in this Official Statement. The ratings, if obtained, will reflect only the view of Moody's or S&P at the time such rating is assigned and will be subject to revision or withdrawal, which could affect the market price of the Bonds. Moody's or S&P should be contacted directly for its rating on the Bonds and Notes and their explanation of such rating.

## **CONTINUING DISCLOSURE**

In order to assist the underwriter in complying with the Securities Exchange Commission's Rule 15c2-12 (the "Rule"), the City will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Rule by not later than 270 days after the end of each fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The covenants will be contained in a "Continuing Disclosure Certificate" (the "Certificate"), the proposed form of which is provided in APPENDIX C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds. The City has never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.

## **FINANCIAL ADVISOR**

Moors & Cabot, Inc. has acted as Financial Advisor to the City with respect to the issuance of the Bonds pursuant to Municipal Securities Rulemaking Board Rule G-23. Moors & Cabot, Inc. does not intend to submit its bid or participate in an underwriting syndicate for the public bidding of the Bonds.

## **CUSIP IDENTIFICATION NUMBERS**

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the City provided, however, that the City assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

## **STATUTORY REFERENCES**

All quotations from and summaries and explanations of laws herein do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

## **CONDITIONS PRECEDENT TO DELIVERY**

The following, among other things, are conditions precedent to the delivery of the Bonds to the original purchasers thereof.

### **No Litigation**

Upon delivery of the Bonds, the City shall deliver or cause to be delivered a certificate of the Finance Director, and attested to by the City Clerk, dated the date of delivery, to the effect that there is no litigation pending or, to the knowledge of such official, threatened, affecting the validity of the Bonds or the power of the City to levy and collect taxes to pay them, and that neither the corporate existence nor boundaries of the City, nor the title of any of said officers to their respective offices, is being contested.

### **Approval of Legality**

The legality of the Bonds will be approved by Pierce Atwood LLP, of Portland, Maine, Bond Counsel. The unqualified approving opinion of such counsel with respect to the Bonds will be delivered at the time of original delivery of the Bonds and a copy of the opinion will be provided to the original purchasers. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as their opinion) and make no representations that they have independently verified the same. See also "PROPOSED FORM OF LEGAL OPINION" in APPENDIX B herein.

### **Certificate With Respect to Official Statement**

At the time of the original delivery of and payment for the Bonds, the City will deliver a certificate of the Finance Director to the effect that she has examined this Official Statement and the financial and other data contained therein and that, to the best of her knowledge and belief, both as of its date and as of the date of delivery of the Bonds, the Official Statement does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the City is not guaranteed as to accuracy, completeness or fairness, she has no reason to believe that such information is materially inaccurate or misleading.

### **Certificate With Respect to Debt Limits**

At the time of the original delivery of and payment for the Bonds, the City will deliver a certificate of the Finance Director which certifies that the City has not exceeded its debt limitations and that issuance of the Bonds will not cause the City to exceed such debt limit.

### **Certificate With Respect to Shared Valuation**

At the time of the original delivery of and payment for the Bonds, the City will deliver a certificate of the Finance Director which certifies that no agreements under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, now exist.



## **CITY OF BANGOR**

### **GENERAL**

The City of Bangor is located in the south-central section of the County of Penobscot, in the eastern section of the State of Maine. The City is approximately 235 miles north-northeast of Boston, Massachusetts, 140 miles northeast of Portland, Maine, the State's largest city, and approximately 76 miles northeast of Augusta, the State's capital. The City is the hub of an 11-municipality employment and commercial center as well as the commercial and cultural center for more than a third of the State's population being situated in eastern and northern Maine. Bangor is the county seat of Penobscot County and is the third largest of Maine's 22 cities.

Bangor is situated on the western shore of the Penobscot River, which forms its southeastern border separating it from the City of Brewer across the river. The Town of Veazie is contiguous to Bangor on its east. The Town of Orono, home of the main campus for the University of Maine System, forms the City's northeastern border. The Town of Glenburn borders Bangor on the north, the Town of Hermon on the west and the Town of Hampden forms its southern border. Convenient access to Bangor is provided with seven exits from U.S. Interstate Route 95, which bisects the City diagonally through its center. U.S. Routes 1A, 2 and State Routes 15, 100, 221 and 222 all intersect the City from various directions. The Bangor International Airport, located in the City, provides both domestic and international air service for the entire region. See also "CITY OF BANGOR – BANGOR MSA" herein.

The area embracing Bangor was first noted by Admiral Samuel de Champlain's journal in 1604. A fort was erected in the area previous to 1656 by the French and named Norombega. The area was then settled by the English, in 1769, known as Kenduskeag Plantation until 1787 and as Sunbury until 1791. Bangor incorporated as a town on February 25, 1791 and as the City on February 12, 1834, the name being derived from a hymn entitled "Bangor" conferred by Rev. Seth Noble, an early settler. Once the world's leading lumber port, during the 1850's; and then second only to Chicago in the 1860's to 1870's, the City has evolved to become a major trade, distribution, service and commercial center for the eastern and northern Maine region. The City is the home of Husson College, Eastern Maine Technical College, the Bass Park Complex and four medical centers including St. Joseph's Hospital and the Eastern Maine Medical Center. Bangor has four local television stations, 12 radio stations and is the home of the fourth largest morning newspaper in New England, the "Bangor Daily News". The City enjoys numerous parks, monuments, historical sites, has several hotels and numerous restaurants.

The City of Bangor is an urban, commercial, industrial and residential community with some rural characteristics. The land area of the City includes tracts of forest and farmlands, open space and riverfront areas, with a developed "downtown". Located on various parts of the City's perimeter the Bangor Mall, Airport Mall, Broadway Shopping Center and Bangor Mini Malls have established Bangor as the regional retail hub of the eight-county eastern Maine retail market. The City is comprised of residential, local business, industrial, commercial and resource protection zones, totaling 34.59 square miles.

### **GOVERNMENT**

The City operates under a charter initially adopted as Chapter 54 of the Private and Special Laws of Maine (1931), as amended and supplemented, most recently on November 6, 2001 (the "Charter"). The Charter provides for a Council-Manager form of government with a nine-member City Council who are elected from the registered voters of the entire City at-large for three-year staggered terms. The Charter grants to the City Council all powers to enact, amend, or repeal rules, ordinances and resolutions relating to the City's property, affairs and government; to preserve the public peace, health and safety; to establish

personnel policies; to give effect to any vote of the City; and to authorize the issuance of debt. The entire Council adopts an annual budget and provides for an annual audit.

The City Manager is the chief administrative officer of the City.

## **MUNICIPAL SERVICES**

The City provides general governmental services for the territory within its boundaries, including police and fire protection, highways, streets and sidewalks, parks, recreation and riverfront areas. Public education is provided for grades Kindergarten ("K") through 12. The City operates its own sewer system.

Water service is provided by the Bangor Water District, a quasi-municipal entity whose operations and direct obligations are not part of the City.

### **Public Safety**

The Police Department is staffed by employees who include one Chief of Police, one Deputy Police Chief, five Lieutenants, 12 Sergeants, 14 Detectives and approximately 42 Police Officers. The Police Department operates from the downtown Police Station. The Police Department operates 56 vehicles, which are in good repair.

The Fire Department is staffed by employees who include one Fire Chief, four Assistant Chiefs, six Captains, 10 Lieutenants, one Public Education Officer, two Fire Inspectors and approximately 67 firefighters. The Fire Department operates from three fire stations and maintains approximately 22 vehicles or pieces of equipment, all of which are in good repair. Emergency Medical Service is provided by the Fire Department.

### **Public Works**

The Public Works Department provides for a number of services including highway maintenance and recycling. The Department is staffed with one Public Works Director and approximately 72 full-time employees. The Department utilizes approximately 95 vehicles, which are in good repair.

On January 1, 1988 the City began transporting solid waste to the Penobscot Energy Recovery Company's ("PERC") waste-to-energy facility in Orrington. The City currently pays a basic tipping fee of \$67.75/ton of solid waste disposed. The tipping fee is adjusted quarterly based upon a contractual formula. The City's Assistant City Manager is one of the nine members of a Municipal Review Committee (the "Review Committee") elected from the 130 charter communities who send waste to PERC (the "Charter Communities"). The Review Committee oversees PERC's management in an advisory capacity to ensure that the Sending Communities' interests are protected. The City is currently involved in the ownership of the PERC facility along with other Charter Communities, which Charter Communities currently own approximately 21% of the limited partnership shares of the facility.

### **Public Education**

The City operates its educational program for grades K through 12 under its own supervision. Article II-A of the City's Charter, as amended, provides that the Department of Education for the City be administered by a Superintending School Committee (the "School Committee") comprised of seven members, who are elected by the voters of the City at-large for three-year staggered terms. The School Committee performs all duties and functions in regard to the care and management of the public schools of the City. The School Committee prepares and submits its budget to the City Manager, who includes it

in the budget process. See also “CITY FINANCES - BUDGETARY PROCESS” section herein. The School’s staff consists of a Superintendent, one Director of Pupil Services, nine full-time principals, approximately 368 full-time equivalent teachers and various other professional and non-professional staff. The City’s schools are listed below:

School	Grade	Estimated Capacity	Enrollment <sup>(1)</sup>
Abraham Lincoln	K - 3	340	185
Downeast	K - 3	400	268
Fourteenth Street	K - 3	200	156
Fruit Street	K - 3	385	273
Vine Street	K - 3	385	229
Fairmount	4 - 5	430	275
Mary Snow	4 - 5	410	233
James F. Doughty	6 - 8	630	468
William S. Cohen	6 - 8	640	468
Bangor High School	9 - 12	1,500	1,467

SOURCE: <sup>(1)</sup> “Previous Year Pupils” from *Maine Educational Directory, School Year 2005-2006*, State of Maine, Department of Education, dated August 23, 2006

The following is the trend of the City’s school enrollments over the last ten years:

April 1,	Grades					Total Enrollment
	K-3	4-5	6-8	9-12	Other	
2006	1,132	543	840	1,261	24	3,800
2005	1,075	531	937	1,250	52	3,845
2004	1,075	548	980	1,247	0	3,850
2003	1,039	581	943	1,200	256	4,019
2002	1,149	625	899	1,214	246	4,133
2001	1,155	622	915	1,166	247	4,105
2000	1,274	633	918	1,135	244	4,204
1999	1,318	653	924	1,126	233	4,254
1998	1,315	660	929	1,152	232	4,288
1997	1,381	651	933	1,169	245	4,379

SOURCE: State of Maine, Department of Education, “April 1 Census of Students Educated at Public Expense” and the City of Bangor School Department.

NOTE: “Other” includes: Elementary Special, Pre-Kindergarten, Secondary Special and Post-Graduate Students. Starting in 2004, the State of Maine, Department of Education incorporates this category within the respective grade class grouping.

The City is a member of the *United Technologies Center, Region #4* (“Region #4”), an applied technology region (a “Region”). Applied technology regions in Maine are quasi-municipal corporations established by the Legislature for the delivery of applied technology programs that are comprised of two or more school administrative units and governed by a cooperative board. Each school administrative unit is responsible for its proportionate share of the Region’s operating expenses, including debt repayment, which is included in the respective unit’s annual assessment to the Region. Region #4’s territory encompasses three cities, including Bangor, 11 towns, one plantation, four School Administrative Districts (“SADs”) and one Community School District (“CSD”). The City currently sends an average of 93 students to Region #4, or 21.2% of the 438 total current student enrollment. The

City is responsible for its proportionate share of Region #4's operating expenses, including debt service, which is assessed to the City annually. The City's share of Region #4's 2006/2007 assessment is \$513,490 or 20.7% of Region #4's 2006/2007 total assessments of \$2,474,069. Furthermore, along with ten school administrative units in the region, the City of Bangor participates in the Southern *Penobscot Regional Program for Exceptional Children*. In this program, the following specialized classification of educational curriculum (and its location) are offered at: "Hearing Impaired" (Bangor); "Multiple Handicapped" (Bangor); "Severe Behavioral/Emotionally Disturbed" (Old Town); and "Moderate to Severe Development Disability" (Brewer).

In addition to providing education to all students who are residents of the City of Bangor, the School Department also provides education for grades 9 through 12 for certain contiguous communities or districts (the "school administrative unit") which do not have a high school. The school administrative unit reimburses the City on a tuition basis, as set annually by the State, for each student who elects to attend Bangor High School. There are approximately 90 tuition students attending Bangor High School, sent from the towns of Amherst, Bradley, Dedham, Glenburn, Holden, Orrington and Veazie.

### **Sewer Department**

The Sewer Department is established as an Enterprise Activity with the intent that the department provides services on a continuing basis financed entirely through user charges. As of June 30, 2006 total net assets for the Sewer Utility Fund were \$35.7 million. Sewer rates had remained constant since 1996 with the first increase since then, in July 1, 2006, of 5%. One superintendent and approximately 24 employees staff the Sewer Department. The Sewer Department maintains one plant, five pumping stations and approximately 132 miles of 8" to 72" sewer lines.

### **Bangor International Airport**

The City owns the land encompassing the Bangor International Airport ("BIA"), the domestic and international terminal building and several properties that are leased to various commercial/industrial concerns. Through BIA, the City serves in the capacity of a fixed-base operator, in that it provides certain operating/maintenance functions as well as serves as a fuel vendor for aircraft. The BIA is unique as a municipal facility in that the airport services domestic carriers but also caters to numerous international carriers for purchase of fuel and passenger handling, thus diversifying its revenue base to support its operations. At June 30, 2006 fiscal year BIA's net assets were \$131.5 million.

BIA is also the home of the 101<sup>st</sup> Air National Guard Refueling Wing (the "ANG"). The relationship between BIA and the Guard is formally expressed through a contractual agreement under which the ANG provides BIA with all crash and fire rescue services at the airport and shares in the cost of snow plowing. The ANG has, in the past, shared in the cost of several capital projects at the airport on a non-contractual basis, from time to time. The City expects that this voluntary contribution will continue in the future.

### **Pickering Square Parking Garage**

The City owns a 500-car municipal parking garage to enhance the downtown commercial and retail district. The parking garage, opened in September 1989, was established by the City as an Enterprise Activity, with the City's intent that the facility provide services on a continuing basis financed entirely through user charges. It was anticipated that the garage would require General Fund subsidy, in declining amounts, through its first 15 years of operation. In actuality, the Parking Fund experienced a historical record of, albeit declining, net operating losses since its inception 18 years ago. In 2002, the City completed substantial improvements to the parking facility. This resulted in an increased subsidy from the City's General Fund and, due to the inactivity inherent to the construction, expenses declined. The

City expects that on an ongoing basis in future years the facility will report positive operating experience that is expected to reduce future annual General Fund subsidies.

### **Bass Park Complex**

The Bass Park Complex (“Bass Park”) encompasses the Bangor Raceway, Bangor State Fair, Bangor Auditorium and the Bangor Civic Center. Bass Park is established as an Enterprise Activity with the intent of the City that services provided are financed primarily through user charges. However, in recent years General fund subsidies have been required. Plans are currently being developed to replace the facility and alter its financial structure to more closely reflect a regional use of the facility.

### **Park Woods**

The City acquired a 60-unit housing complex from the federal government in 1995 (“Park Woods”). Park Woods offers safe, affordable transitional housing and case management services to homeless individuals and families. The majority of units are leased directly from the City to tenants through the City’s Health and Welfare Department. The remaining units are leased to social service agencies that are responsible for remitting lease payments to the City. The City has no indebtedness for Park Woods and has established its operations as an Enterprise Fund, reflecting the City’s intent to finance the facility primarily through user charges.

### **Municipal Golf Course**

The City owns and operates the Municipal Golf Course (the “Golf Course”) a 27-hole championship course. The facility includes a clubhouse, snack bar and locker room. Two pros and three full time employees staff the course. The Golf Course is established as an Enterprise Activity with the intent that the Golf Course provide service on a continuing basis, financed entirely through user charges.

### **Bangor Public Library**

The Bangor Public Library (the “Library”) was established in 1883 as a union between the Bangor Mechanic Association and the Trustees of the Samuel F. Hersey Fund (administered by the City). The Library is a non-profit corporation governed by a Board of Managers and a Board of Trustees consisting of nine members. Four of the board’s members are the officers of the Bangor Mechanic Association, four are appointed as Trustees of the Hersey Fund by the Bangor City Council and the ninth member is the chief financial officer of the City.

The Library occupies a 67,000 square foot building with a Greco-Roman facade opened in 1913, designed by Peabody and Stearns of Boston with a 27,000 square feet addition to the facility, in 1998. The Library houses over 500,000 volumes of books, periodicals, government documents and other materials, has over 44,000 registered borrowers, lends over 22,000 volumes per year. The Library is staffed by a director and approximately 20 full-time and ten part-time employees. Approximately 55% of its funding is derived from the City, 35% from endowment funds and 10% from the State Library.

## **LABOR RELATIONS**

The City employs approximately 1,094 full-time employees, approximately 600 of whom are employed by the School Department. The following lists the various bargaining units that are represented by a union, and the status of its current contract. City Employees not included in the below table are not represented by unions. The various contracts for employees represented by unions are effective and expire as follows:

Union <sup>(1)</sup>	Approximate # Employees	Bargaining Unit	Date of Contract	
			Effective	Expiration
Teamsters	14	Police Command Staff	July 1, 2004	June 30, 2007
Teamsters	45	Police Officers	July 1, 2004	June 30, 2007
Teamsters	14	Police Support Staff	July 1, 2004	June 30, 2007
IAFF	96	Firefighters	July 1, 2002	June 30, 2005 <sup>(2)</sup>
BFPE-AFT	13	Motor Pool	July 1, 2004	June 30, 2007
AFSCME	5	Airport Aircraft Mechanics	July 1, 2004	June 30, 2007
AFSCME	6	Aircraft Weather Observers	July 1, 2005	June 30, 2008
AFSCME	32	Ramp Supervisors & Attendants	July 1, 2005	June 30, 2008
AFSCME	15	Airfield & Building Maintenance	July 1, 2004	June 30, 2007
AFSCME	56	Public Works	July 1, 2004	June 30, 2007
MEA	330	School Teachers	Sept. 1, 2005	Aug. 31, 2008
MEA	70	School Instructional Ass'ts	Sept. 1, 2005	Aug. 31, 2008
AFL/CIO	20	School Administrators	July 1, 2004	June 30, 2007
MEA	100	School Support Staff	July 1, 2005	June 30, 2008

NOTE: <sup>(1)</sup> "AFSCME" indicates the American Federation of State, County and Municipal Employees; "IAFF" indicates the International Association of Firefighters. All AFSCME and IAFF units are affiliated with the American Federation of Labor & Congress of Industrial Organizations ("AFL-CIO"), as separate bargaining units. "BFPE" indicates the Bangor Federation of Public Employees, division of the American Federation of Teachers, affiliated with the AFL-CIO. "MEA" indicates the Maine Education Association of which the various components of the Bangor Education Association ("BEA") are affiliated, as separate bargaining units. "Teamsters" indicates the International Brotherhood of Teamsters, which are affiliated, as separate bargaining units.

<sup>(2)</sup> The contract expired on June 30, 2005 and a new contract has not as yet been ratified. However, the City has provided in its budget amounts that it expects that the City would incur.

## BUILDING PERMITS

Calendar Year	Permits			Est. Cost of Construction
	Residential	Non-Resid't'l	Total	
2006	334	206	550	\$47,717,741
2005	329	208	537	67,027,954
2004	310	194	504	43,696,735
2003	310	38	348	34,662,800
2002	277	199	476	30,390,000
2001	248	198	446	25,466,900
2000	296	191	487	28,526,800
1999	269	220	489	32,024,600
1998	284	223	507	41,134,300
1997	303	222	525	32,335,400
1996	283	192	475	22,787,600

## ECONOMIC CHARACTERISTICS

		-----% Change-----			
Population		City of Bangor	City	State	USA
	1960	38,912	23.3	6.1	18.5
	1970	33,168	(14.8)	2.4	13.4
	1980	31,643	(4.6)	13.4	11.4
	1990	33,181	4.9	9.2	9.8
	2000	31,473	(5.1)	3.8	13.2
Population Characteristics		City of Bangor	Penobscot County	State of Maine	USA
	Median age (years)	36.1	37.2	38.6	35.3
	% school age	15.5%	17.5%	18.1%	18.9%
	% working age	64.7%	64.1%	62.0%	61.9%
	% 65 and over	14.1%	13.1%	14.4%	12.4%
	Persons/household	2.12	2.38	2.39	2.59
Income		City of Bangor	Penobscot County	State of Maine	USA
	Median family income	\$42,047	\$42,206	\$45,179	\$50,046
	% below poverty level	16.6%	13.7%	10.9%	12.4%
	Per capita income	\$19,295	\$17,801	\$19,533	\$21,587
Housing		City of Bangor	Penobscot County	State of Maine	USA
	% owner occupied	47.5%	69.8%	71.5%	66.2%
	% Built before 1939	45.0%	28.3%	29.1%	15.0%
	% Built since 1990	6.5%	13.8%	14.6%	17.0%
	Owner occupied med. value	\$87,300	\$82,400	\$98,700	\$119,600
	Median gross rent	\$475	\$468	\$497	\$602
	Occupied housing units	13,713	58,096	518,200	-

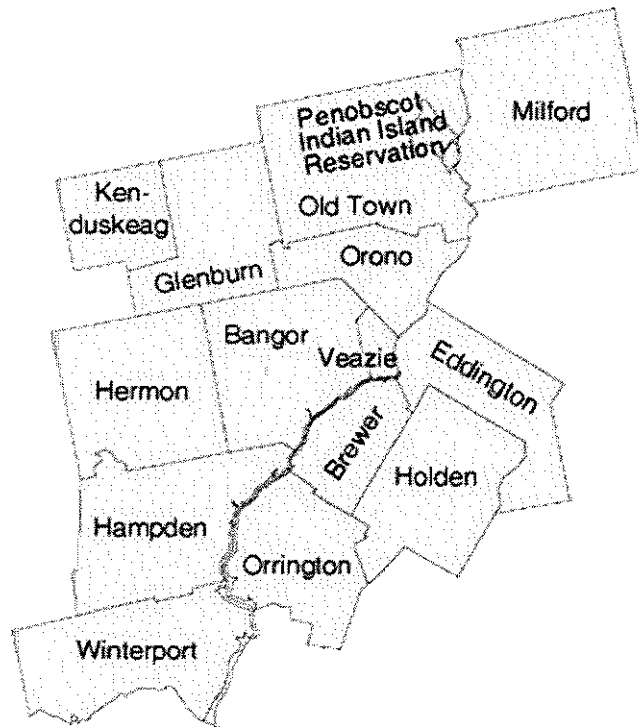
SOURCE: 2000 census, U.S. Department of Commerce, Bureau of the Census.

<b>Unemployment</b>		<b>City of Bangor</b>	<b>Penobscot County</b>	<b>State of Maine</b>	<b>USA</b>
	2006	4.3%	5.0%	4.6%	4.6%
	2005	4.6	5.1	4.8	5.1
	2004	4.5	5.6	4.6	5.5
	2003	3.4	6.1	5.1	6.0
	2002	3.1	4.5	4.4	5.8
	2001	3.0	4.1	4.0	4.8
	2000	2.8	3.7	3.5	4.0
	1999	3.0	4.3	4.1	4.2
	1998	3.6	4.5	4.4	4.5
	1997	4.8	5.9	5.4	4.9

SOURCE: State of Maine, Department of Labor, Division of Economic Analysis and Research.

## BANGOR METROPOLITAN STATISTICAL AREA

The U.S. Department of Commerce, Bureau of the Census formerly defined a metropolitan statistical area ("MSA") as an area that includes at least one city with 50,000 or more inhabitants, or a Census Bureau-defined urbanized area (of at least 50,000 inhabitants) and a total metropolitan population of at least 75,000 (in New England). Additional cities and towns are included in the MSA if they meet specified requirements of commuting to the central area and other selected requirements of metropolitan character (such as population density and percent urban). An MSA is also considered a labor market area. The following map displays the 14 cities or towns and one reservation that comprise the Bangor MSA:



SOURCE: Maine Department of Labor, Labor Market Information Services

### Transportation Center

The City of Bangor is the major transportation and distribution center for the eight northeastern counties of the State of Maine. The Bangor International Airport has scheduled domestic air service offered by five airlines, American Eagle, Continental Express, Delta Connection, Northwest AirlinK and USAirways Express with over 50 daily flights to/from the market. In addition, the Airport serves as a transit and diversion Airport for numerous domestic and international carriers.. The Bangor and Aroostook and Maine Central railroads offer rail freight connections from Bangor. U.S. Interstate Route 95 facilitates the shipment of freight by truck. Greyhound Travel Services and Concord Trailways offer nationwide bus transportation and package delivery from their Bangor terminals.

The FAA occupied its automated Flight Service Station at the BIA facility in 1987, employing approximately 50 technicians. Also, the Maine National Guard Bureau constructed a \$23 million reserve and guard training center at BIA. The project houses Army/Navy Reserve Buildings, a Consolidated Armory and a variety of training buildings. Hundreds of trainees come into the area for training on regular year-round cycle.



## Commuter Patterns

The following table displays the place of employment for the City's residents, residential component of the City's workforce and the respective component of its workers as a percentage of their local workforce:

Residents of Bangor who work in:	Number of Workers	% of Bangor's Workers	Commuters to Bangor who live in:	Number of Workers	% of Bangor's Workforce
Bangor	11,109	72.45%	Bangor	11,109	32.48%
Brewer	977	6.37	Brewer	2,389	6.99
Orono	807	5.26	Hampden	1,824	5.33
Hampden	300	1.96	Hermon	1,268	3.71
Hermon	244	1.59	Glenburn	1,229	3.59
Old Town	220	1.43	Orono	1,201	3.51
Millinocket	119	0.78	Old Town	1,095	3.20
Bucksport	96	0.63	Orrington	925	2.70
Belfast	92	0.60	Holden	775	2.27
Holden	89	0.58	Winterport	716	2.09
Ellsworth	82	0.53	Levant	613	1.79
Glenburn	82	0.53	Corinth	590	1.73
Orrington	61	0.40	Carmel	567	1.66
East Millinocket	54	0.35	Eddington	549	1.61
Veazie	48	0.31	Milford	488	1.43
All Other	954	6.22	All Other	8,861	25.91
	15,334	100.00%		34,199	100.00%

SOURCE: State of Maine, Department of Labor, Labor Market Information Services; U.S. Department of Commerce, Bureau of Census, 2000 Census.

## Commercial Center

The City is a center for retail, wholesale, distribution, transportation, banking, legal, medical, recreational, and other major services for its own base market, plus a large area of the State encompassing its eight eastern and northern counties. The City also serves as a more infrequent retail/service center for a Canadian population from the provinces of New Brunswick, Nova Scotia and Quebec. A major shopping area of over 1.3 million square feet is anchored by the Bangor Mall. Several other malls are located throughout the City's area and its downtown area provides a blend of specialty shops, restaurants and consumer services.

Hubbed by the Bangor MSA, the City's *Primary Market* is an area within 20 miles of the City center made up of 28 communities, over 100,000 people, approximately 38,000 households, and includes the 11 communities of the *Greater Bangor Area*. Residents of the Primary Market Area utilize the Bangor Center for their regular shopping and services on a daily or weekly basis and as an employment center. The Bangor *Secondary Market* is a region covering more than six counties in eastern and northern Maine, comprised of approximately 387,000 people and over 120,000 households which use the Bangor Center for major shopping and services many times annually. The Bangor *Tertiary Market* encompasses the Canadian Maritime Provinces and eastern Quebec Province, with approximately 2.96 million people, over 870,000 households which utilize the Bangor region as a distribution and transportation point, and for selected shopping and services on a special-trip basis, such as during holidays, vacations and other occasions.

The following table displays the growth in certain sectors of the City's economy, as measured by retail sales, by product group and by consumer sales:

### Retail Sales by Product Group and Consumer Sales (\$/000)

	Business/ Operating	Building Supply	Food Store	General Mdse.	Other Retail	Auto/ Transp.	Rest. & Lodging	Group Total	Consumer Sales
2006	107,099	167,473	53,807	330,941	126,220	321,172	145,995	1,252,707	1,145,609
2005	109,951	164,050	51,848	322,789	131,460	319,176	143,780	1,243,054	1,133,103
2004	98,114	158,058	49,404	307,286	121,277	317,939	138,651	1,190,729	1,092,614
2003	97,287	143,309	50,978	288,905	117,295	317,996	130,151	1,145,922	1,048,634
2002	88,206	131,052	50,748	293,756	106,359	291,669	129,497	1,091,286	1,003,080
2001	92,761	123,701	48,547	282,714	99,808	284,285	125,073	1,056,889	964,128
2000	105,727	125,823	56,222	261,776	96,814	270,601	124,489	1,041,452	935,725
1999	93,351	99,329	53,944	272,715	91,425	258,150	123,221	992,135	898,784
1998	82,577	87,030	51,084	260,329	63,821	219,795	113,559	878,198	795,620
1997	83,900	95,400	49,651	214,536	66,439	203,678	102,695	816,298	732,397

SOURCE: State of Maine, Department of Taxation, Sales Tax Section. The State Department of Taxation cautions that the 2003 statistics are correcting for an overstatement in 2002 on a statewide basis. Data from 2000 to 2004 restated from prior Official Statements.

### Employment Center

The City is the hub of retail, wholesale, distribution, transportation, banking, legal, medical, recreational, and other major services for its own base market, plus a large area of the State. The Greater Bangor area includes 11 contiguous communities surrounding the City. Major employers in the Bangor MSA are:

Employees	Major Employers	City or Town	Business
1,000 to 4,000	Eastern Maine Medical Center	Bangor	Health Care Center
	Bangor Mall	Bangor	Shopping Complex
	University of Maine	Orono	University
	Shop & Save Supermarkets	Throughout	Grocery Chain
500 - 999	Bangor Savings Bank	Bangor	Bank
	General Electric Corp.	Bangor	Turbine Manufacturer
	Microdyne Outsourcing	Orono	Telephone Call Center
	Acadia Hospital	Bangor	Mental Health Center
	St. Joseph Hospital	Bangor	Health Care Center
	Georgia Pacific Corp.	Old Town	Paper Producer
	City of Bangor	Bangor	Municipal Government
	Bangor School Department	Bangor	School Department
	Wal-Mart	Bangor	Department Store
	Community Health Services	Bangor	Social Services
250 to 499	United States Postal Service	Bangor	Postal Service
	Shaw's Supermarket	Bangor	Grocery Chain
	Bangor International Airport	Bangor	Airport
	ZF Gear US	Brewer	Automotive Parts Manf.
	Bangor Mental Health Institute	Bangor	Mental Health Center
	Dysarts Transport Inc.	Hermon	Truck Stops & Plazas
	Verizon	Bangor	Communications
	R.H. Foster	Hampden	Petroleum Distributor
	Microdyne	Orono	Technical Support Center
	Old Town Canoe	Old Town	Boat Manufacturer

SOURCE: State of Maine, Department of Labor (May, 2006).

## HIGHER EDUCATION AND HEALTHCARE

### Post-secondary School Education

Seven post-secondary schools are located in the Greater Bangor Area, six of which are located within the City. These schools and their location, by approximate enrollment, are:

Location	School	Enrollment <sup>(1)</sup>	Faculty <sup>(1)</sup>
Orono	University of Maine	9,179	823
Bangor	Eastern Maine Community College	1,790	142
Bangor	Husson College	1,977	54
Bangor	University College of Bangor, campus of UMA	1,000 <sup>(2)</sup>	73
Bangor	New England School of Communication	305 <sup>(3)</sup>	37
Bangor	Beal College	345	19
Bangor	Bangor Theological Seminary	123 <sup>(4)</sup>	9

NOTE: <sup>(1)</sup> Source: 2007 Peterson's®, a part of The Thompson Corporation.

<sup>(2)</sup> Source: [www.uma.edu/UCB](http://www.uma.edu/UCB).

<sup>(3)</sup> Source: [www.nescom.edu](http://www.nescom.edu)

<sup>(4)</sup> Source: [www.bts.edu](http://www.bts.edu)

### Healthcare

**Acadia Hospital** has a 100-bed chemical dependency/psychiatric hospital at the former Taylor Hospital site on Stillwater Avenue, near U.S. Interstate Route 95. The hospital provides mental health and addiction medicine services offering short-term, acute care, with approximately 400 personnel. The **Dorothy Dix Psychiatric Center** (formerly "BMHI"), is the youngest of Maine's two state mental hospitals. The hospital opened officially on July 1, 1901 and primarily provides acute care for patients admitted involuntarily. **Eastern Maine Medical Center**, a component of **Eastern Maine Healthcare**, is the second largest medical center in the State, with 436 beds and over 2,000 employees. The center offers intensive care for newborns, children and adults; advanced cancer care; cardiac surgical treatment; and is the location of the Ronald McDonald House of Maine. The **Maine Veterans' Homes**, established by the State legislature to provide support and care for honorably discharged veterans, has 120 beds and employs approximately 150 personnel. **St. Joseph Hospital**, with 130 beds and approximately 800 personnel, provides business and community wellness programs; walk-in physician emergency care; and has a 15-bed geriatric unit.

SOURCE: City of Bangor, Department of Community and Economic Development.

## MSA ECONOMIC CHARACTERISTICS

Population	Bangor MSA	-----% Change-----		
		MSA	State	USA
1970	81,760	(2.66)%	2.4%	13.4%
1980	85,616	4.72	13.4	11.4
1990	91,153	6.47	9.2	9.8
2000	90,302	(0.93)	3.8	13.2

Population Characteristics	City of Bangor	Bangor MSA	State of Maine
Median age (years)	36.1	35.9	38.6
% school age	15.5%	16.6%	18.1%
% working age	64.7%	65.5%	62.0%
% 65 and over	14.1%	12.6%	14.4%
Persons/household	2.12	2.32	2.39

Income	City of Bangor	Bangor MSA	State of Maine
Median family income	\$42,047	\$46,864	\$45,179
% below poverty level	16.6%	13.4%	10.9%
Per capita income	\$19,295	\$19,194	\$19,533

Housing	City of Bangor	Bangor MSA	State of Maine
% owner occupied	47.5%	62.7%	71.5%
% Built before 1939	45.0%	32.1%	29.1%
% Built since 1990	6.5%	12.0%	14.6%
Owner occupied med. value	\$87,300	\$91,100	\$98,700
Median gross rent	\$475	\$480	\$497
Occupied housing units	13,713	36,584	518,200

SOURCE: 2000 census, U.S. Department of Commerce, Bureau of the Census.

Unemployment	City of Bangor	Bangor MSA	State of Maine
2006	4.3%	4.6%	4.6%
2005	4.6	4.7	4.8
2004	4.5	4.9	4.6
2003	3.4	3.3	5.1
2002	3.1	2.9	4.4
2001	3.0	2.8	4.0
2000	2.8	2.5	3.5
1999	3.0	2.7	4.1
1998	3.6	3.1	4.4
1997	4.8	4.1	5.4

SOURCE: State of Maine, Department of Labor, Division of Economic Analysis and Research.

## CITY FINANCES

### BUDGETARY PROCESS

Article VI, Section 7 of the City's Charter provides for a budget process. The fiscal year (or "budget year") of the City begins on the first day of July and ends on the thirtieth day of June of the following year. The Charter provides that the City Manager submit a budget to the Council not later than the second Monday in April before the end of the fiscal year. The budget contains (1) an estimate of all revenue cash receipts anticipated from sources other than the tax levy for the budget year; (2) the estimated expenditures necessary for the operation of the City; (3) debt service requirements for the budget year; (4) estimated tax levy for the budget year; and (5) a balanced relationship between total estimated expenditures and revenues (including tax levy, without overlay). The Council has the prerogative to modify the expenditures of the proposed budget. If the Council fails to adopt a budget by the beginning date of the fiscal year, the Charter directs that the City Manager's proposed budget shall automatically become the budget for the next fiscal year. If the Appropriation Resolve establishes a property tax levy that exceeds the Property Tax Levy Limit, then the excess of the appropriation must be approved in a separate article by a majority of the entire Town Council (i.e., a "super majority"). The Property Tax Levy Limit of one year may not exceed the Property Tax Levy Limit from the prior year by more than a specified Growth Limitation Factor (see "THE BONDS – SOURCE OF PAYMENT AND REMEDIES - Limitation on Municipal Property Tax" herein). Upon adoption of the budget, a property tax levy is then established and filed with the City Assessor. The following table sets forth the trends in the General Fund's budgets for the City for the last four fiscal years and for the current fiscal year.

**General Fund Budgets**  
**Fiscal Year Ending June 30,**  
**(000)**

	2003	2004	2005	2006	2007
<b>Revenues</b>					
Taxes	\$41,289	\$42,509	\$43,564	\$43,897	\$45,166
Intergovernmental	16,822	17,059	17,721	20,229	22,506
Licenses and Permits	370	389	409	452	495
Charges for Services	8,006	8,440	8,857	9,647	10,259
Fines, Forfeits and Penalties	20	25	21	29	27
Use of Property	765	742	703	698	710
Other Sources	1,412	1,467	1,525	1,986	1,759
<b>Total Revenues</b>	<b>68,692</b>	<b>70,631</b>	<b>72,800</b>	<b>76,938</b>	<b>80,922</b>
<b>Expenditures</b>					
General Government	5,238	5,477	5,623	6,033	6,191
Public Safety	11,290	11,687	12,407	12,954	13,497
Health, Welfare and Recreation	2,875	3,140	3,371	3,654	4,042
Public Services	7,971	7,921	8,121	8,929	9,496
Other Agencies	3,275	3,425	3,705	3,797	3,964
Education	33,174	34,022	34,747	36,395	38,061
Other	3,199	3,295	2,762	2,998	3,202
Debt Service	1,670	1,664	2,064	2,178	2,469
<b>Total Expenditures</b>	<b>\$68,692</b>	<b>\$70,631</b>	<b>\$72,800</b>	<b>\$76,938</b>	<b>\$80,922</b>

## CAPITAL IMPROVEMENT PLAN

The City of Bangor has had a Capital Improvement Plan ("CIP") since 1975. The CIP includes a Capital Budget for the current year and the next four years. The City's current CIP includes total expenditures of approximately \$50.0 million over a five-year period, or approximately \$10 million per average year. The overall program is driven by a number of factors. Primary among them are United States Environmental Protection Agency ("EPA") and State of Maine Board of Environmental Protection ("BEP") mandates and requirements relating to secondary treatment and combined sewer overflows ("CSO"), development of the City's waterfront and improvements to the Bangor International Airport. The following table displays the City's current Capital Improvements Schedule, and proposed mode of funding:

### Capital Improvement Plan for Fiscal Years Ending June 30,

EXPENDITURES	2007	2008	2009	2010	2011	Totals
Motor Pool	\$653,777	\$690,122	\$706,875	\$724,046	\$721,648	\$3,496,468
Finance	25,000	50,000	125,000	150,000	100,000	450,000
Fire	100,786	1,200,000	110,000	285,000	110,000	1,805,786
Parks & Recreation	110,000	0	0	0	100,000	210,000
Public Works	865,000	865,000	940,000	865,000	865,000	4,400,000
Infrastructure	230,000	430,000	230,000	230,000	1,730,000	2,850,000
Waterfront	300,000	400,000	500,000	3,000,000	4,000,000	8,200,000
Other	1,000,000	950,000	500,000	500,000	500,000	3,450,000
<b>Total General Fund</b>	<b>3,284,563</b>	<b>4,585,122</b>	<b>3,111,875</b>	<b>5,754,046</b>	<b>8,126,648</b>	<b>24,862,254</b>
Park Woods	70,000	70,000	70,000	70,000	70,000	350,000
Airport	3,400,000	2,400,000	2,400,000	2,400,000	2,400,000	13,000,000
Wastewater Treatment	2,000,000	2,000,000	1,000,000	1,000,000	1,000,000	7,000,000
Bass Park	0	100,000	0	2,000,000	1,000,000	3,100,000
Golf Course	50,000	50,000	50,000	50,000	50,000	250,000
Economic Development	1,100,000	100,000	100,000	100,000	100,000	1,500,000
<b>Total Enterprise Funds</b>	<b>6,620,000</b>	<b>4,720,000</b>	<b>3,620,000</b>	<b>5,620,000</b>	<b>4,620,000</b>	<b>25,200,000</b>
<b>TOTAL ALL FUNDS</b>	<b>9,904,563</b>	<b>9,305,122</b>	<b>6,731,875</b>	<b>11,374,046</b>	<b>12,746,648</b>	<b>50,062,254</b>
<b>FUNDING SOURCES</b>						
Operating Budget	655,000	680,000	680,000	680,000	680,000	3,375,000
Bond Proceeds	803,777	2,020,122	911,875	854,046	871,648	5,461,468
DDD TIF Bonds	1,000,000	950,000	575,000	3,500,000	4,500,000	10,525,000
CDBG	300,000	75,000	0	0	0	375,000
Reserves	125,786	45,000	230,000	430,000	285,000	1,115,786
Other	400,000	815,000	715,000	290,000	1,790,000	4,010,000
<b>Total General Fund</b>	<b>3,284,563</b>	<b>4,585,122</b>	<b>3,111,875</b>	<b>5,754,046</b>	<b>8,126,648</b>	<b>24,862,254</b>
Operating Budget	1,310,000	650,000	650,000	650,000	650,000	3,910,000
Bond Proceeds	2,000,000	2,000,000	1,000,000	1,000,000	1,000,000	7,000,000
Racino Funds	0	100,000	0	2,000,000	1,000,000	3,100,000
Other	3,310,000	1,970,000	1,970,000	1,970,000	1,970,000	11,190,000
<b>Total Enterprise Funds</b>	<b>6,620,000</b>	<b>4,720,000</b>	<b>3,620,000</b>	<b>5,620,000</b>	<b>4,620,000</b>	<b>25,200,000</b>
<b>TOTAL SOURCES</b>	<b>\$9,904,563</b>	<b>\$9,305,122</b>	<b>\$6,731,875</b>	<b>\$11,374,046</b>	<b>\$12,746,648</b>	<b>\$50,062,254</b>

## PROPERTY TAX LEVY LIMIT

As previously discussed, unless the City follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended the City is limited to an increase in the City's property tax levy from one year to the next to an amount not more than its Property Tax Levy Limit (see "THE BONDS - SOURCE OF PAYMENT AND REMEDIES - Limitation on Municipal Property Tax Levy" herein). The Property Tax Levy Limit for subsequent fiscal years, regardless of whether the property tax levy equaled, or was less than, such Property Tax Levy Limit, is the Property Tax Levy Limit for the preceding year multiplied by the Growth Limitation Factor.

The State's Personal Income Factor for fiscal year 2006/2007 is 2.62%; the City's Property Growth Factor for 2006/2007 is 2.49% for a 2006/2007 Growth Limitation Factor of 5.11%. The foregoing Growth Limitation factor established a 2006/2007 Municipal Property Tax Levy Limit of \$18,501,132. The City Council voted to increase its 2006/2007 Municipal Property Tax Levy by \$60,720<sup>(1)</sup> to \$18,561,852. The City Council then approved a 2006/2007 Municipal Property Tax Levy of \$18,526,024. By voting to increase the 2006/2007 Municipal Property Tax Levy Limit, the City is able to establish next year's Property Tax Levy Limit based on this year's Limit of \$18,561,852.

The City's 2005/2006 Municipal Property Tax Levy Limit was \$17,091,805. The City Council voted to increase its 2005/2006 Municipal Property Tax Levy by \$278,205<sup>(2)</sup> to \$17,370,010. The City Council then approved a 2005/2006 Municipal Property Tax Levy of \$17,369,908.

NOTE: <sup>(1)</sup> The increase represents the amount of estimated net new state funding from the State's Urban-Rural Initiative Program ("URIP"). The State Legislature has since excluded URIP payments from its definition of "net new state revenue".

<sup>(2)</sup> This increase represented estimated net new state funding and increased local costs associated with the State-mandated General Assistance program. The State legislature has since excluded General Assistance payments from its definition of "net new state revenue".

## FUND BALANCE POLICY

Article VI, Section 16 of the City's Charter requires maintaining the City's undesignated/unreserved fund balance at between 5% and 10% of the previous year's expenditures, net of debt service. As part of its policy, the City targets these balances to be at 7.5%.

	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
Unreserved General Fund Balance	15,412,411	15,575,433	11,184,543	10,676,570	10,828,439
Total Revenues (Prior Year)	72,413,361	75,389,620	77,496,840	79,712,206	82,411,257
Fund Bal as % Prior Years' Revenues	21.28%	20.66%	14.43%	13.39%	13.14%
Undesignated General Fund Balance	9,291,767	8,892,684	5,922,307	6,152,195	7,398,406
Total Revenues (Prior Year)	72,413,361	75,389,620	77,496,840	79,712,206	82,411,257
Fund Bal as % Prior Years' Revenues	12.83%	11.80%	7.64%	7.72%	8.98%

## INVESTMENT POLICY

The City has established a formal Investment Policy. Pursuant to its Investment Policy and Title 30-A, Section 5706 *et seq.* of the Maine Revised Statutes, as amended all investments of the City must be made with the judgment and care that persons of prudence, discretion and intelligence, under circumstances

then prevailing, exercise in the management of their own affairs, not for speculation but for investment considering (i) safety of principal and maintenance of capital, (ii) maintenance of sufficient liquidity to meet all operating and cash requirements with which a fund is charged, that is reasonably expected, and (iii) return of income commensurate with avoidance of unreasonable risk. Under its policy, the City's investment practice is to maintain a cash and investment pool that is available for use by all funds and consists of short-term investments. The City is invested principally in direct obligations of the United States government and its agencies. The City is not invested in any obligations typically referred to as derivatives, meaning obligations created from, or whose value depends on or is derived from the value of one or more underlying assets or indexes of asset values in which the municipality owns no direct interest.

## **FINANCIAL STATEMENTS**

Title 30-A, Chapter 223, Subchapter VIII of the Maine Revised Statutes, as amended, and Article VI, Section 2 of the City's Charter provide for independent annual audits of the City's accounts and establishes procedures for such audits. The City, in conformance with this statute and its Charter currently engages the services of Runyon Kersteen Ouellette, Certified Public Accountants. The City's fiscal year 2006 Financial Section, audited by Runyon Kersteen Ouellette, Certified Public Accountants, is presented as APPENDIX A to this Official Statement. The City has not requested the consent of Runyon Kersteen Ouellette for the incorporation of the Financial Statements included in APPENDIX A, nor has it been received.

The Government Finance Officers Association (the "GFOA") awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2005. This was the ninth consecutive year that the City applied for and received this prestigious award. In order to be awarded the certificate, the City published an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles ("GAAP") and applicable legal requirements. The City has applied for, but has not yet received a response for this award for the fiscal year ended June 30, 2006.

## **FUNDS**

The accounts of the City are organized and operated on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. The City has the following fund types:

**Governmental Funds** are used to account for most governmental functions of the City. Governmental Funds include the following fund types:

**General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** account for revenue sources (not including expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes.

**Capital Projects Fund** is used to account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or non-expendable trust funds.

**Permanent Funds** are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting governments' programs.



**Proprietary Funds** are used to account for those operations that are financed and operated in a manner similar to private business or where the City Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

**Fiduciary Funds** account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's Fiduciary Funds include the following types:

*Agency Funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the accrual basis of accounting. The funds are used to account for assets that the City holds for others in an agency capacity.

**CITY OF BANGOR**  
**COMPARATIVE BALANCE SHEET**  
**GENERAL FUND**  
**(As of June 30,)**

	2006	2005	2004	2003	2002
<b>ASSETS</b>					
Cash and investments	\$10,978,486	\$8,715,652	\$13,339,812	\$16,165,808	\$17,569,071
Receivables:					
Taxes	1,671,122	2,039,149	1,934,742	1,749,458	1,786,585
Accounts (net of allowances)	855,256	880,165	1,007,795	912,955	1,326,131
Interfund loans	2,264,233	3,976,594	1,724,355	1,573,355	1,880,855
Intergovernmental	1,478,059	1,673,034	1,382,122	1,491,741	996,042
Loan	1,173,291	1,210,892	1,246,198	1,300,000	0
Inventory, at cost	637,133	605,286	636,231	547,061	397,092
Prepaid items	36,299	42,948	4,685	6,887	3,609
<b>TOTAL ASSETS</b>	<b>19,093,879</b>	<b>19,143,720</b>	<b>21,275,940</b>	<b>23,747,265</b>	<b>23,959,385</b>
<b>LIABILITIES</b>					
Accounts payable	863,973	770,351	1,477,961	1,151,931	949,598
Accrued wages and benefits	3,594,767	3,400,475	3,583,983	3,205,789	3,113,536
Workers' compensation	0	0	607,890	607,890	607,890
Unearned revenue	1,617,881	1,869,225	1,849,871	1,513,698	1,671,095
<b>TOTAL LIABILITIES</b>	<b>6,076,621</b>	<b>6,040,051</b>	<b>7,519,705</b>	<b>6,479,308</b>	<b>6,342,119</b>
<b>FUND BALANCE</b>					
Reserved:					
Prepaid and encumbrances	756,130	994,410	1,139,003	1,259,835	924,000
Interfund loans or advances	1,432,689	1,432,689	1,432,689	1,432,689	1,280,855
Unreserved:					
Designated	3,430,033	4,524,375	5,262,236	5,682,749	6,120,644
Undesignated	7,398,406	6,152,195	5,922,307	8,892,684	9,291,767
<b>TOTAL FUND BALANCE</b>	<b>13,017,258</b>	<b>13,103,669</b>	<b>13,756,235</b>	<b>17,267,957</b>	<b>17,617,266</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$19,093,879</b>	<b>\$19,143,720</b>	<b>\$21,275,940</b>	<b>\$23,747,265</b>	<b>\$23,959,385</b>

Prepared from Audited Financial Statements

**CITY OF BANGOR**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**(For the Years Ended June 30,)**

	2006	2005	2004	2003	2002
<b>REVENUES</b>					
Taxes	\$44,790,189	\$43,772,131	\$42,765,592	\$41,948,596	\$40,499,774
Intergovernmental	27,995,989	25,265,853	24,977,182	24,252,060	23,229,919
Licenses and permits	538,534	655,745	374,499	409,842	298,665
Charges for services	12,367,709	11,662,504	10,585,424	9,734,546	9,971,776
Fines, forfeits and penalties	-	-	-	-	28,009
Revenue from use of property	1,288,744	1,017,736	976,850	1,142,089	1,361,477
Other	36,195	37,288	32,659	9,707	-
<b>TOTAL REVENUES</b>	<b>87,017,360</b>	<b>82,411,257</b>	<b>79,712,206</b>	<b>77,496,840</b>	<b>75,389,620</b>
<b>EXPENDITURES</b>					
General government	4,642,935	4,732,331	4,619,401	4,223,670	4,144,775
Public safety	12,852,119	12,352,418	12,001,813	11,018,419	10,793,402
Health, welfare and recreation	4,084,948	3,865,578	3,480,885	3,230,938	2,875,541
Public buildings and services	8,991,673	8,301,848	8,180,067	7,876,895	7,351,237
Other agencies	3,838,458	3,742,545	3,501,038	3,386,873	2,956,506
Education	46,491,735	43,887,274	42,134,253	44,690,381	40,820,241
Unclassified	126,875	2,042,912	2,317,220	2,223,533	28,023,947 <sup>(1)</sup>
Capital outlay	430,551	402,139	837,546	143,593	605,012
Debt service	3,846,364	1,606,202	1,288,610	1,611,606	866,862
<b>TOTAL EXPENDITURES</b>	<b>85,305,658</b>	<b>80,933,247</b>	<b>78,360,833</b>	<b>78,405,908</b>	<b>98,437,523<sup>(1)</sup></b>
<b>EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER EXPENDITURES</b>	<b>1,711,702</b>	<b>1,478,010</b>	<b>1,351,373</b>	<b>(909,068)</b>	<b>(23,047,903)</b>
<b>OTHER FINANCING SOURCES (USES)</b>	<b>(1,798,113)</b>	<b>(2,738,466)</b>	<b>(4,863,095)</b>	<b>559,759</b>	<b>25,328,532<sup>(1)</sup></b>
<b>EXCESS (DEFICIENCY) REVENUES/EARNINGS OVER EXPENDITURES/OTHER USES</b>	<b>(86,411)</b>	<b>(1,260,456)</b>	<b>(3,511,722)</b>	<b>(349,309)</b>	<b>2,280,629</b>
<b>BEGINNING FUND BALANCE</b>	<b>13,103,669</b>	<b>14,364,125<sup>(2)</sup></b>	<b>17,267,957</b>	<b>17,617,266</b>	<b>15,336,637</b>
<b>ENDING FUND BALANCE</b>	<b>\$13,017,258</b>	<b>\$13,103,669</b>	<b>\$13,756,235</b>	<b>\$17,267,957</b>	<b>\$17,617,266</b>

Prepared from Audited Financial Statements

NOTE: <sup>(1)</sup> Includes the proceeds and subsequent payment to MSRS of a portion of the City's IUUAL in fiscal year 2002. See RETIREMENT - B. DEFINED BENEFIT PENSION PLAN" herein. <sup>(2)</sup> Restated from prior year.

## PROPERTY TAXATION

The principal tax of the City is the tax on real and personal property. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The City's Tax Collector receives the tax commitment from the City Assessor, with assessed values as of April 1 of each year, after which time the tax bills are due in two installments. For fiscal 2006/2007 the tax due dates are September 15, 2006 and March 15, 2007. All taxes paid after the due date are subject to interest, at the rate of 11.0% per annum.

Collection of real estate taxes is ordinarily enforced in the City by the "tax lien" procedure as provided in the Maine Revised Statutes, as amended, to the collection of delinquent real estate taxes. Real Estate Tax Liens are recorded against the individual property at the County Registry of Deeds. This lien has priority over all mortgages, liens, attachments and encumbrances of any nature, subject to any paramount federal tax lien and subject to bankruptcy and insolvency laws. If the account is not satisfied within 18 months, the property becomes tax acquired and may be disposed of by the City.

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy (000)	Collections (after Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy A/O 03/31/07
2007	\$2,213,950	\$2,221,389	\$19.40	\$40,653	----- In Process -----		
2006	2,063,300	2,059,677	20.40	41,099	39,717	98.14%	100.0%
2005	1,861,350	1,868,245	22.05	40,474	39,206	97.25	100.0
2004	1,741,600	1,740,329	23.35	39,866	38,589	97.22	100.0
2003	1,609,250	1,691,229	23.60	39,021	37,785	97.46	100.0
2002	1,606,250	1,588,392	23.75	36,685	35,633	97.13	100.0
2001	1,504,200	1,537,788	23.45	35,025	33,930	96.88	100.0
2000	1,433,450	1,475,622	23.70	33,824	32,809	97.00	100.0
1999	1,417,950	1,408,439	23.80	32,467	31,085	95.74	100.0
1998	1,392,350	1,387,171	23.35	32,236	30,806	95.56	100.0
1997	1,343,550	1,363,463	22.90	31,041	29,482	94.98	100.0
1996	1,330,900	1,340,977	23.15	30,742	29,297	95.30	100.0

## CHANGES IN PROPERTY TAX LEGISLATION

On April 29, 2006 the Maine Legislature enacted LD 2056 which prospectively exempts from taxation most types of tangible business personal property subject to an allowance for depreciation and some specialty types of real property improvements. The exemption does not apply to:

- (1) Office furniture;
- (2) Lamps and lighting fixtures used to provide general purpose office or worker lighting;
- (3) Property owned or used by public utilities and persons providing certain television/telecommunications services;
- (4) Telecommunications personal property subject to the tax imposed by section 457 of Title 36;
- (5) Gambling machines or devices and associated equipment;
- (6) Property located at a retail sales facility unless such facility is more than 100,000 square feet in size and owned by a business whose Maine-based operations derive less than 30% of their total annual revenue from sales in the State.

The exemption also does not apply to certain energy facilities and pollution control facilities.

The exemption is purely prospective and applies to all qualifying property that is first installed in Maine after April 1, 2007 and would therefore, if not for the law, have become subject to taxation on or after April 1, 2008.

In order for any personal property to be exempted from taxation under LD 2056, the property owner must file a complete list of that property with the municipal assessor by May 1 every year. If the owner fails to file for the exemption in a timely manner or fails to follow other statutory procedures in the legislation, the property in question is not exempt from taxation for that year.

The State will reimburse municipalities with respect to the lost property taxes associated with this new exemption through one of two formulas, whichever is most beneficial to the municipality, as follows:

1. Basic reimbursement formula - For all municipalities in the first year after the exemption, and for a majority of the municipalities thereafter, the reimbursement would be 100% for the lost property taxes in the first tax year after the exemption takes effect (i.e., FY 2009), 90% in the second year after the exemption takes effect (i.e., FY 2010), 80% in FY 2011, 70% in 2012, 60% in 2013, and 50% in 2014 and every subsequent year. The State Constitution requires a minimum reimbursement of at least 50%.
2. Enhanced formula - Municipalities that have a total property tax base that is made up of at least 5% personal property will be eligible for an alternative reimbursement formula if it provides a higher level of reimbursement in any year than the basic reimbursement formula. Those municipalities will be eligible to receive the 50% minimum reimbursement plus 50% of their tax base percentage that is made up of personal property. For example, if a town's tax base is 64% personal property, it would be eligible for a reimbursement rate of 82%, which is a combination of the minimum 50% reimbursement *plus* one-half of that municipality's 64% "personal property factor".

For the purposes of identifying the municipality's valuation for determining the local property tax rate, the value of all property made exempt by this legislation in the municipality must be considered part of that municipality's local valuation to the extent the municipality is being reimbursed for its lost property taxes by the state with an additional adjustment for property in a tax increment financing district.

The value of all property made exempt by this legislation in the municipality will also be considered part of that municipality's equalized State Valuation to the extent the municipality is being reimbursed for its lost property taxes by the state with an additional adjustment for exempt property in a tax increment financing district effective prior to April 1, 2008.

The legislation provides some additional security for the municipal reimbursement system by funding the reimbursements described above directly from State Income Tax receipts before those receipts are deposited into the State's General Fund, rather than as an annual General Fund appropriation.

## LARGEST TAXPAYERS

Taxpayer	Business	As of April 1, 2006				
		Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
BANMAK Associates	Shopping mall	\$53,580,500	\$290,300	\$53,870,800	\$1,045,094	2.49%
General Electric <sup>(1)</sup>	Steam turbine manf.	850,700	42,914,400	43,765,100	849,043	2.02
Bangor Hydro Electric	Utility	19,940,800	10,881,500	30,822,300	597,953	1.42
Eastern Maine Healthcare	Medical institution	15,459,100	2,313,500	17,772,600	344,788	0.82
Bangor Savings Bank	Financial institution	9,064,500	8,279,900	17,344,400	336,481	0.80
Inland Western Parkade	Shopping mall	15,297,400	0	15,297,400	296,770	0.71
QV Realty Trust	Real estate interests	13,348,500	0	13,348,500	258,961	0.62
May Department Stores	Retailer	11,216,900	949,100	12,166,000	236,020	0.56
Cabrel Company	Real estate interests	11,809,700	5,000	11,814,700	229,205	0.55
Airport Mall Associates	Shopping mall	11,513,500	21,400	11,534,900	223,777	0.53

NOTE: <sup>(1)</sup> Net of \$49,234,600 of tax increment financing assets.

## TAX BASE AND TAX BASE GROWTH

The City's land area is comprised of 22,214 acres. The below table and charts display the potential increase in tax base over the last decade by the conversion of land from undeveloped to developed.

<u>By Land Area (acres)</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>% Total</u>
Undeveloped <sup>(1)</sup>	7,015	6,198	5,935	26.72%
Exempt	5,198	5,198	5,198	23.40
Greenspace <sup>(2)</sup>	2,811	2,811	2,811	12.65
Developed	<u>7,190</u>	<u>8,007</u>	<u>8,270</u>	<u>37.23</u>
Total	22,214	22,214	22,214	100.00%

NOTE: <sup>(1)</sup> May include an undetermined amount of land that cannot be developed.

<sup>(2)</sup> Includes Resource Protection; Parks & Open Space; and Stream Protection, which land is not currently viewed as developable by the City.

The following table displays the changes in the City's tax base over the last decade, by valuation of class of property:

	1995		2000		2005	
	Value (\$)	% Total	Value (\$)	% Total	Value (\$)	% Total
Commercial	\$486,136,579	36.75%	\$471,147,500	33.11%	\$560,057,873	31.37%
Industrial	30,976,632	2.34	23,604,200	1.66	168,164,681	9.42
Residential	677,231,188	51.20	734,584,468	51.62	745,503,520	41.76
Undeveloped	3,004,980	0.23	2,652,480	0.19	3,049,880	0.17
Other	125,344,020	9.48	191,142,892	13.43	308,351,889	17.27
Assessed Value	\$1,322,693,399	100.00%	\$1,423,131,540	100.00%	\$1,785,127,843	100.00%

NOTE: "Other" includes tax-exempt properties, greenspace, wetlands or non-developable property.

## **TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DISTRICTS**

Chapter 206 and former 207 (now repealed) of Title 30-A of the Maine Revised Statutes, as amended, enables a municipality to finance qualified development by borrowing against the future increased property tax receipts attributable to that development. Under the statutory framework, the municipality designates a tax increment financing (“TIF”) district or an affordable housing development district (a “housing district”) for a period of up to 30 years and adopts a development program (the “Development Program”) stating the means and objectives for the development of that district. The municipality may designate, or “capture”, all or a portion of the increase in assessed value resulting from development within the district and dedicates the increased property taxes it receives in future years generated by the “captured” assessed value to payment of the costs of the Development Program, which may include debt service on borrowing to fund such costs. Such districts are subject to statutory limits on their size, including the following limitations: (a) the total area of a single district may not exceed 2% of the total acreage of the municipality, (b) the total area of all TIF districts or housing districts within a municipality each may not exceed 5% of the total acreage of the municipality, and (c) the aggregate original assessed value of all TIF districts and the aggregate original assessed value of all housing districts within the municipality as of the April 1<sup>st</sup> preceding the date the Commissioner of the Department of Economic and Community Development, with respect to TIF Districts, or the Director of the Maine State Housing Authority, with respect to housing districts, approves the designation of any such district each cannot exceed 5% of the municipality’s total value of taxable property. Excluded from this limit as applicable to TIF districts is any district involving project costs in excess of \$10,000,000, the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipality’s total assessed value. In addition, the foregoing limitations do not apply to approved downtown TIF districts, TIF districts included within Pine Tree Development Zones or TIF districts that consist solely of a community wind power generator or generators certified pursuant to Title 36, section 5219-AA, subsection 3.

The increase in assessed value captured by the municipality is excluded from the municipality’s equalized just value for each year’s State valuation filed with the Secretary of State in accordance with Title 36, Sections 208 and 305 of Maine Revised Statutes, as amended, and is therefore not included in calculating that municipality’s share of State educational aid, State municipal revenue sharing, the county tax or the 15% debt limitation for the municipality pursuant to Title 30-A, Section 5702 of the Maine Revised Statutes, as amended.

The City has designated various tax increment financing districts and may consider proposals for other districts on an ongoing basis. All districts will be evaluated based upon the City’s comprehensive plan for economic development, which includes tax increment financing as one of its aspects. In no event will the City’s districts exceed the statutory limitation of total area and aggregate equalized value within all districts, determined as of their date of designation, as set out above.

## **STATE AID**

The State provides aid to the City in a number of areas including education, welfare assistance, road maintenance and revenue sharing. The amount of aid in each category is based upon a number of formulas, many of which contain variables that change annually. Further, most categories of State aid are governed by laws that may be changed by the State Legislature are subject to appropriation by the State Legislature in its budgetary process.

In accordance with the provisions of applicable Maine law, the State subsidizes most local school administrative units. Recent changes in Maine law, effective July 1, 2005, have changed the manner in which the State will calculate and distribute education subsidies. Gone is the old subsidy formula that

distributed state aid on the basis of the foundation allocation and state approved debt service. In its place is the Essential Programs and Services (“EPS”) model of calculating and distributing state education aid. All education expenditures, including state approved debt service, now flow through the EPS model. EPS utilizes a number of factors that are subject to change each year. In addition, the EPS model itself is subject to change by the Legislature. Furthermore, subsidies for school administrative units are an annual item in the State’s budgetary process and are subject to legislative appropriation in that process. No assurance can be given that future legislation will not have an adverse impact on school funding in Maine. Because of these uncertainties, it is not possible to predict the level of State subsidy to local units in future years or whether the State’s subsidy program will continue in its present form.

In 1998 the State of Maine adopted the Homestead Exemption Program, which is administered locally. For the fiscal years ending through June 30, 2005, up to \$7,000 in value of the primary residence of a Maine resident property taxpayer was exempt from property taxation. Further, the State reimbursed each municipality 100% of the property tax exempted under the Program and a portion of the municipality’s administrative costs. Beginning with the fiscal year starting July 1, 2005, the maximum amount of the exemption is \$13,000, however, the State will reimburse municipalities for only 50% of the property tax reduction due to the exemption. The State annually estimates state aid but actual payments may vary from the estimate. The following table displays state aid received by the City for the last five audited fiscal periods:

<b>Fiscal Yr. End June 30,</b>	<b>State Revenue Sharing</b>	<b>State School Subsidy</b>	<b>Other School Aid</b>	<b>Homestead Exemption</b>	<b>Other State Aid</b>	<b>Total From State</b>
2006	\$4,069,815	\$13,507,418	\$3,555,740	\$687,789	\$1,621,746	\$23,442,508
2005	3,717,717	11,550,112	3,719,897	748,180	1,484,996	21,220,902
2004	3,653,952	11,466,272	4,211,463	828,981	1,234,270	21,394,938
2003	3,135,741	11,192,437	3,785,114	893,050	1,204,032	20,210,374
2002	3,198,538	10,914,721	3,567,774	906,607	992,851	19,580,491

## INDEBTEDNESS

### LIMITATIONS AND EXCLUSIONS

In accordance with Title 30-A, Section 5702 of the Maine Revised Statutes, as amended, “No municipality shall incur debt which would cause its total debt outstanding at any time, exclusive of debt incurred for school purposes, for storm or sanitary sewer purposes, for energy facility purposes or for municipal airport purposes to exceed 7 ½% of its last full state valuation, or any lower percentage or amount that a municipality may set. A municipality may incur debt for school purposes to an amount outstanding at any time not exceeding 10% of its last full state valuation, or any lower percentage or amount that a municipality may set, for storm and sewer purposes to an amount outstanding at any time not exceeding 7 ½% of its last full state valuation, or any lower percentage or amount that a municipality may set, and for municipal airport and special district purposes to an amount outstanding at any time not exceeding 3% of its last full state valuation, or any lower percentage or amount that a municipality may set; provided, however, that in no event shall any municipality incur debt which would cause its total debt outstanding at any time to exceed 15% of its last full state valuation, or any lower percentage or amount that a municipality may set.”

Title 30-A, Section 5703 of the Maine Revised Statutes, as amended, provides that the limitations on municipal debt contained in Section 5702 do not apply “... to any funds received in trust by any municipality, any loan which has been funded or refunded, notes issued in anticipation of federal or state aid or revenue sharing money, tax anticipation loans, notes maturing in the current municipal year,



indebtedness of entities other than municipalities, indebtedness of any municipality to the Maine School Building Authority, debt issued under Chapter 235 and Title 10, chapter 110, subchapter IV, obligations payable from revenues of the current municipal year or from other revenues previously appropriated by or committed to the municipality, and the state reimbursable portion of school debt.”

The City’s 2007 equalized state valuation (“equalized State Valuation”) is listed at \$2,213,950,000. The 15% debt limit is \$332,092,500. As of June 30, 2006 the City’s long term general obligation debt outstanding was \$106,784,592, or 4.82% of the equalized State Valuation. The City will certify on the date of issue of the Bonds that the City has not exceeded the foregoing debt limits and that issuance of the Bonds will not cause the City to exceed the debt limit.

## **DEBT SUMMARY**

### **School Debt**

At June 30, 2006 the City had \$11,772,211 of School Debt, portions of which are eligible for inclusion in the City’s debt service allocation for the purpose of calculating the State school construction subsidy. The debt that is eligible for State school construction subsidy was financed under the authority of Title 30-A, Section 5772 of the Maine Revised Statutes, as amended, the School Finance Act of 1985 (the “Act”), being Chapter 606 of Title 20-A of the Maine Revised Statutes, as amended, the State Board’s Rules for Major Capital School Construction Projects (the “Rules”) and the City’s Charter. The City is solely responsible for the debt service for the local share portion of the loan that is eligible for State subsidy and all of the debt service on any portion of the project that is not eligible for such subsidy.

### **Enterprise Debt**

For the fiscal year ended June 30, 2006, seven services provided by the City were established as Enterprise activities, whereby the intent of the City was for the activity to provide services on a continuing basis financed entirely through user charges and therefore be self-supporting. All Enterprise debt is general obligation debt of the City, backed by its full faith and credit, ad valorem taxing power. Portions of the activities of these funds may have been financed by general obligation debt of the City except for the Park Woods that does not have a current debt obligation. The following is a summary of aspects of the City’s Enterprise Fund activities as of June 30, 2006:

<b>Enterprise Fund</b>	<b>Operating Revenue</b>	<b>Operating Expenses</b>	<b>Operating Income</b>	<b>Net Assets</b>
Sewer	\$6,206,605	\$4,869,594	\$1,337,011	\$35,729,533
Airport	11,996,990	16,538,276	(4,541,286)	131,521,060
Park Woods	287,452	540,207	(252,755)	965,832
Parking	963,697	1,104,642	(140,945)	(213,842)
Bass Park	1,460,931	1,846,711	(385,780)	(1,535,092)
Municipal Golf Course	604,365	637,200	(32,835)	1,560,512
Economic Development	330,840	360,888	(30,048)	3,038,847
<b>Total Enterprise Funds</b>	<b>\$21,850,880</b>	<b>\$25,897,518</b>	<b>\$(4,046,638)</b>	<b>\$171,066,850</b>

## Outstanding General Obligation Debt

Year Issued	Amount Issued (\$/000)	Final Date	Balance A/O June 30, 2006				As of June 30, 2007	
			General Fund		Enterprise Funds	Total Debt	Projected Payments	Balance Due
			City	School				
1988	3,200.0	10/28/07	0	0	200,000	200,000	(100,000)	100,000
1991	19,000.0	10/01/12	0	0	6,650,000	6,650,000	(950,000)	5,700,000
1993A	1,864.0	10/01/13	0	0	745,600	745,600	(93,200)	652,400
1993B	1,986.0	10/01/13	0	0	794,400	794,400	(99,300)	695,100
1996A	1,030.0	09/01/15	350,000	0	0	350,000	(350,000)	0 <sup>(7)</sup>
1996B	2,942.9	10/01/16	0	0	1,808,618	1,808,618	(141,711)	1,666,907
1996 <sup>(1)</sup>	975.0	05/01/16	695,000	0	0	695,000	(35,000)	660,000
1996D	1,500.0	09/01/16	975,000	0	0	975,000	(975,000)	0 <sup>(7)</sup>
1997A	2,452.4	10/01/17	0	0	1,597,639	1,597,639	(116,512)	1,481,127
1997B	8,500.0	09/01/17	2,333,550	2,475,000	1,191,450	6,000,000	(380,000)	5,620,000
1998 <sup>(1)</sup>	280.0	11/01/17	220,000	0	0	220,000	(12,000)	208,000
1998	3,394.0	06/01/19	1,086,900	0	983,100	2,070,000	(180,000)	1,890,000
1999A <sup>(2)</sup>	259.8	07/17/17	0	0	184,807	184,807	(11,611)	173,196
2000	3,105.0	01/01/20	1,115,262	0	1,224,738	2,340,000	(150,000)	2,490,000
2001	5,816.0	04/01/21	1,022,000	166,000	3,347,000	4,535,000	(280,000)	4,255,000
2001 (SRRF) <sup>(3)</sup>	568.6	10/01/10	0	284,300	0	284,300	(56,860)	227,440
2001 <sup>(1)</sup>	699.9	09/01/11	618,590	0	0	618,590	(23,604)	594,986
2002	11,025.0	04/01/22	3,722,000	3,600,000	1,483,000	8,805,000	(590,000)	8,215,000
2003A	6,910.0	11/01/23	589,760	2,419,764	1,950,476	4,960,000	(685,000)	4,275,000
2003B	3,500.0	10/01/12	0	0	2,540,000	2,540,000	(330,000)	2,210,000
2003 (SRF) <sup>(4)</sup>	3,000.0	10/01/22	0	0	2,598,999	2,598,999	(136,678)	2,462,321
2003 (SRRF) <sup>(3)</sup>	92.1	06/13/08	0	24,942	0	24,942	(12,470)	12,472
2003 <sup>(1)</sup>	300.0	07/01/11	0	0	202,036	202,036	(37,250)	164,786
2003 <sup>(1)</sup>	200.0	07/01/14	143,088	0	0	143,088	(18,731)	124,357
2003 <sup>(5)</sup>	1,300.0	03/01/23	0	0	1,173,291	1,173,291	(40,045)	1,133,246
2004	9,227.0	11/01/24	3,512,850	1,150,500	3,031,650	7,695,000	(1,275,000)	6,420,000
2005 (SRF) <sup>(4)</sup>	2,650.0	10/01/24	0	0	2,540,282	2,540,282	(111,847)	2,428,435
2005A	3,650.0	11/01/24	2,495,000	0	950,000	3,445,000	(205,000)	3,240,000
2005B	2,315.0	10/01/24	0	0	2,195,000	2,195,000	(120,000)	2,075,000
2006	4,933.0	09/01/25	4,333,000	0	600,000	4,933,000	(213,000)	4,720,000
2006 <sup>(2)</sup>	2,250.0	12/01/26	0	0	2,250,000	2,250,000	(68,046)	2,181,954
			<b>23,212,000</b>	<b>10,120,506</b>	<b>40,242,086</b>	<b>73,574,592</b>	<b>(7,797,864)</b>	<b>65,776,728</b>
2002 (POB) <sup>(6)</sup>	34,030.0	06/01/26	26,019,152	1,651,705	5,539,143	33,210,000	(410,000)	32,800,000
			<b>49,231,152</b>	<b>11,772,211</b>	<b>45,781,229</b>	<b>106,784,592</b>	<b>(8,207,864)</b>	<b>98,576,728</b>
2007 SRF <sup>(4)</sup>	2,000.0	04/01/27						2,000,000
2007	3,555.0	09/01/26						3,555,000
								<b>104,131,728</b>

- NOTE: <sup>(1)</sup> Indicates series of general obligation notes held as investments by the City's Airport Fund at fixed, taxable market rates of interest. The notes are structured with a put feature, which, upon certain precedent conditions, allows the Airport to present the notes for redemption to the City's General Fund. It is the City's intention, should a put occur, to fund the put by issuing a note to its Sewer Fund, converted to a three to five year note with level debt service, without put option.
- <sup>(2)</sup> Privately placed note, with specific terms of repayment and no put option.
- <sup>(3)</sup> Under the State SRRF Program, the City borrowed \$1,000,000, in 2001, and \$92,114, in 2003, to finance portions of the costs of various school projects. \$431,400 of the 2001 loan and \$29,762 need not be repaid by the City but will be forgiven by the State. The balance will be paid in ten and five equal, respectively, annual installments at 0% interest.
- <sup>(4)</sup> Indicates State Revolving Loan Fund Program (the "SRF") administered jointly by the Maine Municipal Bond Bank (the "MMBB") and the State of Maine, acting by and through its Department of Environmental Protection (the "DEP").
- <sup>(5)</sup> The Briggs Building Note is a 20-year obligation funded by the City's Workers Compensation Reserve.
- <sup>(6)</sup> Indicates Pension Obligation Bonds ("POBs").
- <sup>(7)</sup> The remaining outstanding bonds of the respective issue were refunded, on a current basis, on September 1, 2006.

**CITY OF BANGOR, MAINE**  
**GENERAL OBLIGATION BONDS**  
**PROJECTED PRINCIPAL PAYMENTS, BY ISSUE**  
**(\$/000)**

FY	1988	1991	1993	1993	1996	1997	1997	1998	2000	2001	2001	2002	2002	2003	2003	2003	2003	2004	2005	2005	2006	2007	2007	Total
End			A	B	B	A	B	B				A	POB	A	B	SRF	SSRF		A	BIA	SRF			Debt
June 30,																								
2007	100	950	93.2	99.3	142	117	380	180	150	280	57	590	410	685	330	137	12	1,275	112	205	213	0	0	6,637
2008	100	950	93.2	99.3	146	119	395	180	155	285	57	595	505	690	340	138	12	1,235	114	205	335	85	200	7,154
2009		950	93.2	99.3	150	122	415	180	160	295	57	595	610	690	350	140		1,190	116	205	340	87	200	7,159
2010		950	93.2	99.3	154	125	435	155	170	305	57	595	545	675	360	142		1,140	118	205	345	88	200	7,072
2011		950	93.2	99.3	158	127	455	155	130	315	57	600	650	675	375	144		570	121	205	350	90	200	6,634
2012		950	93.2	99.3	163	131	480	155	140	285		600	765	665	385	145		210	123	205	340	91	200	6,341
2013		950	93.2	99.3	168	134	505	155	145	295		595	890	605	400	147		210	126	205	330	93	200	6,460
2014			93.2	99.3	173	137	530	155	155	270		595	1,025	25		150		210	128	205	330	94	200	4,689
2015					179	141	555	155	165	280		505	1,180	25		152		210	130	205	335	96	200	4,628
2016					185	144	585	150	175	295		505	1,345	25		154		205	133	200	335	97	200	4,848
2017					191	148	615	150	180	300		505	1,520	25		156		155	136	200	310	99	200	5,005
2018						152	650	150	190	310		505	1,665	25		159		155	138	150	205	100	200	4,869
2019								150	205	325		505	1,865	25		161		155	141	150	115	102	195	4,244
2020								150	220	340		505	2,085	25		164		155	144	150	115	145	104	4,296
2021										355		505	2,320	25		167		155	146	150	115	145	105	4,334
2022												505	2,575	25		170		155	149	150	115	145	107	4,241
2023												505	2,850	25		173		155	152	150	115	145	109	4,019
2024												3,145	3,145	25				155	155	150	115	145	111	4,146
2025												3,460	3,460					155	158	150	115	145	112	4,286
2026												3,800							158	145	145	114	145	4,204
2027																				145	145	116	145	261
Subtotal	200	6,650	746	794	1,809	1,597	6,000	2,070	2,340	4,535	284	8,805	33,210	4,960	2,540	2,599	25	7,695	2,540	3,445	4,933	2,000	3,555	105,527
																						Private Loans:		5,241
																						Total Gross Principal:		110,768
																						(less paid in FY 2006/2007:		(6,637)
																						Projected June 30, 2007:		104,131

**GENERAL OBLIGATION BONDS  
PROJECTED DEBT SERVICE REQUIREMENTS  
(\$)**

Fiscal Yr. End June 30,	Prior Debt					Pro Forma			Projected Total Debt Service
	Principal	Interest	SRF Admin.	POBs <sup>(1)</sup> (Total D/S)	Total Debt	Principal	Interest	The Bonds	
2007	7,798,372	2,739,822	68,551	2,521,551	13,128,296	0	0	0	13,128,296
2008	6,705,650	2,571,837	72,756	2,595,026	11,945,269	200,000	114,500	314,500	12,266,926
2009	6,615,479	2,333,817	71,111	2,671,898	11,692,305	200,000	130,200	330,200	12,030,643
2010	6,609,032	2,093,534	69,437	2,572,189	11,344,192	200,000	122,200	322,200	11,674,030
2011	6,089,299	1,859,275	67,764	2,645,742	10,662,080	200,000	114,200	314,200	10,983,418
2012	6,176,298	1,633,187	66,090	2,722,782	10,598,357	200,000	106,200	306,200	10,911,195
2013	5,644,785	1,384,734	64,416	2,802,724	9,896,659	200,000	98,200	298,200	10,200,997
2014	3,761,358	1,203,562	30,240	2,884,858	7,880,018	200,000	90,200	290,200	8,175,856
2015	3,564,750	1,052,894	23,410	2,973,745	7,614,799	200,000	82,200	282,200	7,902,137
2016	3,624,847	901,283	23,399	3,062,635	7,612,164	200,000	74,200	274,200	7,891,002
2017	3,513,405	744,865	23,388	3,150,883	7,432,541	200,000	66,200	266,200	7,702,878
2018	3,250,487	598,748	16,574	3,197,843	7,063,652	200,000	58,200	258,200	7,325,490
2019	2,391,759	476,736	11,148	3,290,450	6,170,093	195,000	50,300	245,300	6,418,537
2020	2,285,508	377,311	11,146	3,390,158	6,064,123	145,000	43,500	188,500	6,255,342
2021	2,100,117	278,369	11,144	3,490,675	5,880,305	145,000	37,700	182,700	6,065,362
2022	1,765,637	190,527	11,142	3,596,035	5,563,341	145,000	31,900	176,900	5,742,235
2023	1,274,351	119,307	11,140	3,704,948	5,109,746	145,000	26,100	171,100	5,282,477
2024	1,011,681	73,080	5,905	3,816,123	4,906,789	145,000	20,300	165,300	5,073,358
2025	844,302	38,759	5,905	3,928,270	4,817,237	145,000	14,500	159,500	4,977,643
2026	431,273	15,423	5,905	4,045,100	4,497,701	145,000	8,700	153,700	4,651,945
2027	116,200	1,906	5,905	0	124,011	145,000	2,900	147,900	272,092
<b>TOTAL</b>	<b>75,574,590</b>	<b>20,688,974</b>	<b>676,481</b>	<b>63,063,635</b>	<b>160,003,680</b>	<b>3,555,000</b>	<b>1,292,400</b>	<b>4,847,400</b>	<b>164,931,855</b>

NOTE: <sup>(1)</sup> "POB" indicates Pension Obligation Bonds.

**DEBT SERVICE COMPONENT OF OPERATING EXPENSES**

	Actual					Budgeted
	2002	2003	2004	2005	2006	2007
Gross Current Debt Service:	\$8,234	\$10,794	\$10,918	\$16,231	\$11,438	\$13,060
(less Self Support Enterprise):	(4,511)	(4,225)	(4,363)	(4,067)	(4,388)	(5,740)
(less State Qual School):	(983)	(946)	(850)	(800)	(646)	(663)
(less POB):	0	(2,242)	(2,309)	(2,378)	(2,448)	(2,522)
(less Refunded Debt):	0	0	0	(5,330)	0	(1,265)
Tax Backed Current Debt Service:	\$2,740	\$3,381	\$3,396	\$3,656	\$3,957	\$2,870
 Budgeted Operating Expense:	 \$65,638	 \$68,692	 \$70,631	 \$72,800	 \$76,938	 \$80,922
 Debt Service as % Oper. Expense:	 4.17%	 4.92%	 4.81%	 5.02%	 5.14%	 3.55%

## DEBT RATIOS

### Bonded Debt to Equalized State Valuation and Per Capita Debt Ratios

Fiscal Yr. End June 30,	Pop	Equal. State Val. (000)	Assessed Valuation (000)	Total Debt (000)	Gross Debt		Net of POB <sup>(1)</sup>	
					as % Eq. Val.	Per Capita	as % Eq. Val.	Per Capita
2007	31,074	\$2,213,950	\$2,221,389	\$104,132	4.70%	3,351	3.22%	2,296
2006	31,074	2,063,300	2,060,055	106,785	5.18%	3,436	3.57%	2,368
2005	31,595	1,861,350	1,868,245	106,193	5.71%	3,361	3.90%	2,300
2004	31,595	1,741,600	1,740,329	108,874	6.25%	3,446	4.33%	2,372
2003	31,550	1,609,250	1,691,229	105,523	6.56%	3,345	4.45%	2,266
2002	31,541	1,606,250	1,588,392	101,522	6.32%	3,219	4.20%	2,144
2001	31,595	1,504,200	1,537,788	60,737	4.04%	1,922	4.04%	1,922
2000	31,473	1,433,450	1,475,622	59,928	4.18%	1,904	4.18%	1,904
1999	33,181	1,417,950	1,408,439	62,891	4.44%	1,895	4.44%	1,895
1998	33,181	1,392,350	1,387,171	61,395	4.41%	1,850	4.41%	1,850
1997	33,181	1,343,550	1,363,463	59,031	4.39%	1,779	4.39%	1,779
1996	33,181	1,330,900	1,340,977	58,759	4.41%	1,771	4.41%	1,771

NOTE: <sup>(1)</sup> "POB" indicates Pension Obligation Bonds.

### Bonded Debt to Equalized State Valuation and Per Capita Debt Ratios by Fund Type

Fiscal Yr. End June 30,	Debt, by Fund Type (\$/ 000)				As % Valuation, by Fund Type				Per Capita, by Fund Type (\$)			
	General Fund		Ent'p Fund	Total Debt	General Fund		Ent'p Fund	Total Debt	General Fund		Ent'p Fund	Total Debt
	City	School			City	School			City	School		
2006	49,231	11,772	45,781	106,785	2.4%	0.6%	2.2%	5.2%	1,584	379	1,473	3,436
2005	46,493	12,926	46,774	106,193	2.5%	0.7%	2.5%	5.7%	1,472	409	1,480	3,361
2004	45,391	15,488	47,994	108,874	2.6%	0.9%	2.8%	6.3%	1,439	491	1,521	3,451
2003	42,505	15,164	47,854	105,523	2.6%	0.9%	3.0%	6.6%	1,348	481	1,517	3,346
2002	42,984	16,152	42,386	101,522	2.7%	1.0%	2.6%	6.3%	1,990	748	1,963	4,701
2001	11,940	10,866	37,931	60,737	0.8%	0.7%	2.5%	4.0%	379	345	1,205	1,930
2000	11,017	10,893	38,018	59,928	0.8%	0.8%	2.7%	4.2%	352	348	1,214	1,914
1999	9,304	11,950	41,636	62,891	0.7%	0.8%	2.9%	4.4%	302	388	1,353	2,043
1998	9,428	12,761	39,207	61,395	0.7%	0.9%	2.8%	4.4%	303	410	1,259	1,972
1997	6,916	12,773	39,343	59,031	0.5%	1.0%	2.9%	4.4%	220	406	1,250	1,875
1996	6,322	12,793	39,644	58,759	0.5%	1.0%	3.0%	4.4%	191	386	1,195	1,771

## OVERLAPPING DEBT

The City is subject to an annual assessment of its proportional share of the County of Penobscot's expenses, including debt repayment, as determined by the percentage of the City's to the County's equalized State Valuation. At January 1, 2007 the City's equalized State Valuation of \$2,213,950,000 was 23.85% of the County's equalized State Valuation of \$9,283,300,000 (including Unorganized Territories). The County has \$0 long-term debt projected outstanding as of December 31, 2006.

The City is a member of the United Technologies Center, Region #4 which territory is comprised of three cities, 11 towns, one plantation, four SAD's and one CSD. The City is responsible for its proportionate share of Region #4's long-term debt which is included in Region #4's annual assessment to the City. The City's share of the Center's 2006/2007 total assessment of \$2,474,069 was \$513,490, or 21.2%. As of June 30, 2006, Region #4 had \$0 long-term debt outstanding.

## CONTINGENT DEBT

The City has no debt or obligations for which it is responsible for on a Contingent Basis.

## TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	General Fund	Enterprise	Overlapping	Total Debt
C/O Bangor-School	\$10,120,506			\$10,120,506
C/O Bangor-School (POB)	1,651,705			1,651,705
C/O Bangor-Other Gen'l Fund	23,212,000			23,212,000
C/O Bangor-Other Gen'l Fund (POB)	26,019,152			26,019,152
C/O Bangor- Enterprise		\$40,242,086		40,242,086
C/O Bangor- Enterprise (POB)		5,539,143		5,539,143
County of Penobscot			0	0
Region #4			0	0
Total A/O June 30, 2006	\$61,003,363	\$45,781,229	\$0	\$106,784,592

NOTE: "POB" indicates Pension Obligation Bonds.

## FUTURE FINANCING

The City Manager develops a formal Capital Improvement Program that is submitted to the City Council (see "CITY FINANCES - CAPITAL IMPROVEMENT PROGRAM" herein). The CIP includes an inventory of possible capital projects, some of which may ultimately be included in its CIP, and is an indication of future projects that may be financed through the issuance of indebtedness. The issuance of debt, however, is subject to the prior review and approval of the City Council.

### Bangor Nursing & Rehab Center

On March 27, 2006 the City Council authorized the issuance of its general obligation bonds, in an amount not to exceed \$455,000, the proceeds of which are to be used to provide a grant to Bangor Nursing & Rehab Center to pay for a portion of the costs to design, construct and equip an HVAC and Air Handling system at its facility located on Texas Avenue in the City. The City has financed \$200,000 to provide funds to finance this project. The City does not intend to finance the remaining \$255,000 authorized but unissued debt for this project in calendar year 2007.

### Fire Station

By its Order adopted on September 26, 2005 the City Council authorized the issuance of its general obligation bonds to provide funds in the amount not to exceed \$1,500,000 to finance renovations to and improvements at Fire Station 6, located on Griffin Road in the City. The City does not intend to finance this project in calendar year 2007.

Other than the above projects, the City has no other authorized but unissued debt that it expects to finance through debt issues in calendar year 2007.

## RETIREMENT

The City of Bangor provides retirement pensions for its employees through a number of vehicles, including a defined contribution plan, defined benefit pension plan and social security. Effective April 1, 2001, all new eligible employees are covered by the City's defined contribution plan. Prior to that date,

the City's primary retirement vehicle was the Maine State Retirement System's ("MSRS") defined benefit plan. Existing employees were given the choice of remaining in the defined benefit plan or entering the new defined contribution plan.

#### **A. DEFINED CONTRIBUTION PLAN**

**Description of the Plan** - The City provides pension benefits for certain employees through a 401(a) defined contribution plan administered by ICMA/RC. In addition certain full-time employees are covered through both a 401(a) and 457 Deferred Compensation Plans ("DCP") also administered by ICMA/RC. In a DCP, benefits depend solely on amounts contributed to the plan plus investment earnings. Covered employees are eligible to participate and are fully vested from the date of employment.

**Funding Policy** - Plan members not covered by employment contracts are required to contribute 6.5% of their annual covered salary and the City is required to contribute either 8% or 10% depending upon the employee's classification. For fiscal year 2006 covered payroll was \$8,424,406 and City contributions were \$720,407. For those plan members that have employment contracts, the City contributes at various rates from 8% to 15% of annual earnings. The covered payroll and City contributions for those employees with employment contracts approximated \$525,928 and \$57,851, respectively, in fiscal year 2006.

#### **B. DEFINED BENEFIT PENSION PLAN**

**Description of the Plan** - The City contributes to the Maine State Retirement System Consolidated Plan ("CPPLD"), a cost sharing multiple-employer retirement system established by the Maine State legislature. The MSRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the state legislature. The MSRS issues a publicly available financial report that includes financial statements and required supplementary information for the CPPLD. That report may be obtained by writing to Maine State Retirement, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

**Funding Policy** - Plan members are required to contribute 6.5% of their annual covered salary and the City is required to contribute an actuarially determined rate. The current rate ranges from 2.80% to 6.50% of annual covered payroll. The contribution rates of plan members and the City are established and may be amended by the Maine State Retirement System Board of Trustees. The City's contributions to the MSRS CPPLD for the years ended June 30, 2006, 2005 and 2004 were \$701,017, \$692,119 and \$667,705, respectively, equal to the required contributions for each year.

**Unfunded Actuarial Liability** - Upon joining the consolidated plan on July 1, 1997, the City's initial unfunded unpooled actuarial liability ("IUUAL") was calculated. The IUUAL represents the remaining amount of the pension liability upon transitioning to the consolidated plan from a participating local district (PLD). The City's IUUAL at the date of transition was wholly defeased through the issuance of \$34,030,000 in pension obligation bonds during fiscal year 2002.

#### **C. DEFINED BENEFIT PENSION PLAN - TEACHERS GROUP**

**Description of the Plan** - All school teachers, plus other qualified educators, participate in the MSRS's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The MSRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the state legislature. The MSRS issues a publicly available financial report

that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

**Funding Policy** - Plan members are required to contribute 7.65% of their compensation to the retirement system. The same statute requires the State of Maine Department of Education, to contribute the employer contribution, which amounts to \$4,553,481 (19.15%) for the fiscal year 2006. This amount has been reported as an intergovernmental revenue and education expenditure in the GAAP basis financial statements. There is no contribution required by the school department except for federally funded teachers, for which they contributed 19.15% of their compensation. This cost is charged to the applicable grant.

#### **D. DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

#### **E. SOCIAL SECURITY**

The City does not have a section 218 agreement to provide full social security coverage to its employees. The City does provide full social security coverage to part-time, seasonal and temporary employees under the Omnibus Budget Reconciliation Act of 1990, and Internal Revenue Service regulations, which became effective July 1, 1991.

### **ENVIRONMENTAL MATTERS**

The City is subject to a wide variety of federal and State laws and regulations relating to land use, water resources, sewage disposal, the use, storage, discharge, emission and disposal of wastes and other environmental matters. While the City believes that its properties and operations are presently in material compliance with all land use and environmental laws, failure to comply with such laws could result in the imposition of severe penalties on operations by government agencies or courts that could adversely affect the City. The City is not aware of any environmental conditions or non-compliance, the remediation or correction of which the City believes would have a material adverse impact on the financial condition of the City. The City is not subject to any pending or threatened proceedings or actions involving environmental matters that, if adversely decided, would have a material adverse impact upon the City's financial condition or ability to pay debt service on the Bonds as and when due. While not having a material adverse impact upon the City's financial condition, or its ability to meet its debt service obligations, the City is voluntarily making the following disclosure with respect to environmental liabilities:

#### **Wastewater Discharge Consent Decree Compliance**

On June 30, 1987 the City entered into a consent decree (the "State Consent Decree") with the Board of Environmental Protection and the State of Maine pursuant to which the City agreed to provide for secondary wastewater treatment in accordance with the schedule set forth in State Consent Decree and to complete other improvements to its sewer collection system to address its combined sewer overflow problems. In April, 1991 the City entered into a consent decree (the "Federal Consent Decree") with the United States Environmental Protection Agency ("EPA"), which prospectively superseded the State Consent Decree, pursuant to which the City is required to (1) construct and operate a secondary



wastewater treatment facility for the City's wastewater system in accordance with the schedule specified therein, which schedule supersedes the schedule specified in the State Consent Decree, (2) implement sewer rehabilitation projects in accordance with the schedule set forth in the Federal Consent Decree, (3) develop and submit to the Environmental Protection Agency and to the State of Maine a long-term master plan for sewer rehabilitation, abatement of combined sewer overflow ("CSO") discharges and other relevant projects (the "CSO Facilities Plan"), (4) develop a CSO monitoring plan in accordance with the requirements of the Federal Consent Decree, (5) upon approval of the CSO Facilities Plan, to implement that plan upon the schedule set forth in the plan, and (6) otherwise take such specific measures as are identified in the Federal Consent Decree in order to assure compliance with the City's NPDES permit for effluent discharge. The City's five-year capital plan outlines sewer projects, which, in the City's opinion, are sufficient to conform to the requirements of the Federal Consent Decree. The Secondary Wastewater Treatment Facility became operational in December of 1992, being the cornerstone of the complaint and the consent decrees. Since December 1992 the Facility has operated well within all consent decrees and NPDES requirements. Through ratepayer payments to the City's Sewer Fund the City has been funding, and will continue to fund, CSO separation and other projects as required by the consent decrees.

### **Portland-Bangor Waste Oil Company Site Clean-up**

Approximately 15 years ago, the City was served with Notification of Potential Liability by the United States Environmental Protection Agency ("EPA") in connection with EPA's efforts to clean up a waste-oil disposal site in Plymouth, Maine. The City is among approximately 500 potentially responsible parties (PRPs), many of whom are no longer viable parties; the City joined a Joint Defense Group composed of many of the viable PRPS to negotiate with EPA.

In September 2002, the EPA issued the first Record of Decision for the Site, which targets the cleanup of groundwater that has traveled away from the site. The cleanup activity for this "non-source area groundwater" involves the containment of groundwater by use of a pump and treat system, institutional controls (such as an ordinance against withdrawing ground water in the affected area and private restrictive covenants), environmental monitoring and monitored natural attenuation.

EPA expects to issue its final Record of Decision for the Site on or before September 30, 2007. The Second ROD will set forth the final cleanup plan for the Site. During public meetings held during late spring and early summer 2006, EPA reported that the Second ROD will affirm the remedy set forth in the first ROD regarding the non-source area groundwater, and is expected to issue a "Technical Impracticability Waiver" for the "source area groundwater" because there are no technologies that can restore the source area groundwater to drinking water quality within a reasonable timeframe.

EPA expects to send out "Special Notice" letters to all PRPs along with a proposed Consent Decree and Scope of Work by the end of April 2007. The Special Notice letter will invite the PRPs to make a good faith offer to conduct the remedy and complete clean up of the Site. Once the PRPs make an offer – which typically is required within 60 days – negotiations between the agencies and PRPs begin again. The goal is for the negotiations to end with an agreed upon final Consent Decree that is entered in Federal District Court in Maine by the end of September 2007.

There are still many variables that impact the City's final costs; the City should be able to reasonably estimate the final costs in the latter half of 2007, following the negotiations on the scope of work.

### **Penobscot River Cleanup**

On its own initiative, since 1999 the City has been investigating the extent and impact of possible contamination of the Penobscot River bottom in an area around the City's docks. In addition, the City has

been examining potential sources of contamination in order to identify potentially responsible parties ("PRP") that may be liable for contribution to the costs of remediation. One PRP has been identified and the City has filed suit to force cleanup of the contamination. The litigation has been settled contingent upon the Court approval of a Consent Decree executed by the litigants and the Maine Department of Environmental Protection ("DEP"). The settlement includes a payment from the PRP, Citizens Communications Company, of \$7.625 million to the City to pay for cleanup costs. Any remaining cleanup costs will be the responsibility of the City. Because the City continues to negotiate the nature and extent of the remediation of the contamination with DEP the ultimate costs are uncertain..

### **Resource Conservation Recovery Act Compliance**

The City Council entered into a Consent Agreement and Final Order for *In the Matter of the City of Bangor, Maine*, RCRA-01-2003-0042/CWA-01-2004-0055/RCRA-01-2004-0098, with the United States Environmental Protection Agency on April 12, 2004, for violations of Sections 3002, 3004, and 3005 of RCRA, 42 U.S.C. §§ 6922, 6924 and 6925, the regulations promulgated thereunder at 40 C.F.R. Parts 262, 264, 265, and 268; Chapter 13 of Title 38 of the Maine Revised Statutes (M.R.S.A.) (Chapter 13); the regulations promulgated thereunder, found at Chapter 800, et seq. of the State of Maine Hazardous Waste Management Rules (the Maine Rules); and Section 301(a) of the Clean Water Act, 33 U.S.C. § 1311(a) that occurred in 2001 at the airport and public works.

While the matter itself was settled in 2004, part of the settlement required the City to undertake a supplemental environmental project, which is ongoing. The City is required over the next two years to spend \$115,300 on bio additives to convert diesel to bio-diesel (B-20) for its diesel motor vehicles. At the end of the two year period, any remaining balance will be paid as a fine, unless EPA agrees to extend the project.

### **LITIGATION**

In the opinion of City officials there is no litigation pending against the City which, either individually or in the aggregate, would result in judgments that would have a materially adverse effect on the City's financial position or its ability to meet its debt service obligations.

**APPENDIX A**

**CITY OF BANGOR, MAINE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE  
YEAR ENDED JUNE 30, 2006**

**(With Report of Independent Auditors' Thereon)**

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**CITY OF BANGOR, MAINE**  
**Comprehensive Annual Financial Report**  
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**For the Fiscal Year Ended June 30, 2006**

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# **INTRODUCTORY SECTION**



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December 18, 2006

To the Honorable Chairman,  
Members of the Bangor City Council, and  
Citizens of Bangor

In accordance with the requirements of both our City Charter and state statutes, the comprehensive annual financial report of the City of Bangor for the fiscal year ended June 30, 2006 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Bangor. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the City of Bangor on a government wide and fund basis.

The City is responsible for establishing and maintaining an internal control framework designed to ensure that the assets of the City are protected from loss, theft, and misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs of control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

The City's financial statements have been audited by Runyon, Kersteen, Ouellette. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's unqualified opinion is presented as the first component of the financial section of this report.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to this single audit, including a schedule of expenditures of federal awards, findings, questioned costs, recommendations, and the independent auditor's reports on the internal control structure and compliance with applicable laws and regulations, are included in a separately issued single audit report.

GASB requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

### **Profile of the Government**

The City of Bangor is situated in eastern Maine, is the Penobscot County seat, and is the third most populous of Maine's 22 cities. The City occupies approximately 35 square miles on the western shore of the Penobscot River. Bangor was first settled in 1656, incorporated as a town on February 25, 1791 and as a city on February 12, 1834. Bangor has become a major trade, distribution, service, and commercial center for the central, eastern, and northern portions of the State.

The City operates under a Charter adopted in 1931 that provides for a Council-Manager form of government. The City Council is composed of nine members who are elected at large for three-year staggered terms. The Charter grants to the Council all powers to enact, amend, or repeal rules, ordinances, and resolutions relating to the City's property, affairs, and government; to preserve the public peace, health, and safety; to establish personnel policies; to give effect to any vote of the City; and to authorize the issuance of debt. The Council adopts an annual budget and provides for an annual audit. The City Manager is the chief administrative officer of the City and is appointed by the Council, as are the Assessor, Solicitor, and Clerk. The current City Manager has been in his position since 1988.

The City's schools are governed by a seven-member School Committee. Its members are elected at large to staggered three-year terms. By Charter, the School Committee has all the powers and performs all the duties related to the care and management of the public schools of the City. The Committee annually furnishes to the City Council an estimate of sums required for school purposes for the ensuing municipal year. The City Council makes a single gross

appropriation for this purpose with the expenditure of this appropriation under the direction and control of the School Committee. The School Committee employs the Superintendent of Schools as its chief operating officer. The current Superintendent has been in his position since July 2000.

The City provides a full range of municipal services including police and fire, highways and sanitation, health and welfare, parks and recreation, education, public transportation, planning, business and economic development, code enforcement, and general administrative services. Bangor International Airport, sanitary sewer services, the Bass Park Complex, parking, golf course, economic development, and a transitional housing complex are accounted for in the City's Enterprise Funds.

The City's budgeting process is structured around its fiscal year, which begins on July 1st and ends on the following June 30th. The City annually adopts budgets for its general fund and seven enterprise funds. The City Charter requires that the City Manager submit a recommended budget to the Council by the second Monday in April. The budget, which must be in balance, contains estimates of all non-tax revenues and receipts expected to be received during the next fiscal year, the expenditures necessary to support City operations, debt service requirements, and the tax levy required to achieve balance between revenues and expenditures. The Council may modify recommended expenditures and the recommended tax levy. If the Council fails to adopt a budget by July 1st, the City Manager's proposed budget automatically becomes that fiscal year's budget. In either case, an appropriate property tax levy is established and filed with the City Assessor who then sets the necessary property tax rate.

The annual budget serves as the foundation for the City's financial planning and control and is prepared by fund, function, and department. The City Manager may transfer resources within a department; however, transfers between departments require Council action.

Special Revenue Funds do not have legally adopted budgets but have program budgets. Budgetary controls are maintained on other governmental funds through formal authorizations by the City Council and through grant agreements. All budgets are legally adopted by the City Council through the passage of an appropriation resolve.

### **Factors Affecting Financial Condition**

**Local economy.** The City is the economic, educational, recreational, distribution, and health care center for the central, eastern, and northern Maine regions. Bangor also serves as northern New England's economic link to the Canadian Maritimes and Eastern Quebec. The City is a major center for the

communication, banking, commercial, industrial, healthcare, and governmental sectors of the State.

Bangor has a stable and varied economic base. Major employers include a diversified mix of health care, educational, professional, retail, manufacturing, and governmental entities. Bangor's 2005 unemployment rate of 4.7% continues to be below both county and state rates of 5.1%, 4.8%, respectively.

Bangor is the second largest retail market in Maine after Portland. The Bangor Mall, Airport Mall, Broadway commercial center, Union Street commercial corridor, and the Bangor Center Development District (downtown) have long established Bangor as the regional hub of the eight-county eastern Maine retail market. Bangor's retail sector serves an extensive geographic area ranging from eastern Maine to the Canadian Maritimes with a population exceeding 3.1 million. With less than three percent of the State's population, Bangor's share of the State's retail sales has remained in excess of 9% since 1999. Over the same period, Bangor's share of County sales has grown significantly to approximately 74%.

Further evidence of continuing sustained growth is the change in the City's assessed value of real and personal property, which from 1991 to 2000 averaged 2.47% and in the last 6 years has averaged 6.58% per annum. Tax base growth, the City's focus on controlling budgetary growth, and ramped up state funding of education costs in accordance with State Statute has resulted in a reduction in the City's tax rate of 10.9% from 1997 to 2006.

The City is committed to preserving its viable economic base while creating new opportunities for future economic growth. To achieve these objectives, the City is proactive in supporting economic activity through planned capital improvements, innovative financing, and aggressive marketing.

**Long-term financial planning and major initiatives.** Unreserved, undesignated fund balance in the general fund as of June 30, 2006 was 9.78% of the expenditures, net of debt service. By Charter the City is required to maintain a balance between 5% and 10%, the Council has determined that a reasonable target is 7.5%.

The City prepares a five-year capital plan that is updated at least biannually as part of the overall budget process. The plan identifies all anticipated capital investments as well as potential funding sources.

The City is nearing completion of the construction of a new police station. The current station was built in 1940 and has significant structural issues. It is anticipated that this project will cost approximately \$8 million. Through the relocation of the station, two additional goals will be achieved: improved police

visibility and the provision of additional space adjacent to the Penobscot County offices to allow for its future expansion.

Progress continues in the redevelopment of almost a mile of prime Penobscot River frontage extending from the City's downtown area to the Bass Park Complex. A majority of the infrastructure has been completed, for which the City has been successful in obtaining partial funding from both State and Federal agencies. Current plans call for some \$180 million in development including: a headquarters hotel and high-technology conference center, new class A office space, restaurant and retail space, residential apartments and condominiums, and other private sector projects.

The City has entered into a development agreement with Bangor Historic Track, a wholly owned subsidiary of Penn National Gaming, to redevelop Bangor Raceway and a portion of the surrounding Bass Park property. Penn National Gaming opened a temporary gaming facility containing 475 slot machines in November 2005 and anticipates breaking ground for the permanent facility in 2006. Under the agreement, the City will receive a percentage of gross slot revenue as well as land lease payments and property taxes on new development. In October 2005, the City established a special revenue fund to account for all such payments. In addition, the Council Order specifies that the primary use of the funds received will be to construct a new arena in Bangor to replace the Bangor Auditorium which opened in Bass Park in 1954.

Over the years, the City has invested significant resources and effort into improving our local environment and protecting our natural resources. In recent years, the City has performed environmental remediation work on the waterfront, a former gas works site, and a former laundry/dry cleaning establishment, and undertaken significant sewer system improvements and a project to direct all de-icing fluid used at Bangor International Airport directly to the treatment plant. In addition, the City continues to acquire property to expand the City forest as both an open space element and in an effort to protect wetlands and watersheds in the Bangor Mall area. During the past year, the City added a position to specifically address environmental compliance and training issues. The City also worked with all interested parties to resolve land use issues related to the Penjajawoc Marsh area adjacent to the Bangor Mall.

**Awards and Acknowledgements.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bangor for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the ninth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual

financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA for consideration for another certificate.

The preparation of this document would not have been possible without the hard work of all of the City's employees. Each one contributes on a daily basis, simply by carrying out the responsibilities of their positions.

Our sincerest thanks are once again extended to our Citizens and the Bangor City Council for their continued support for our efforts to further develop the City's financial management and reporting capabilities. We hope that we have once again met their expectations.

Respectfully submitted



Debbie Cyr  
Finance Director



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bangor  
Maine

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



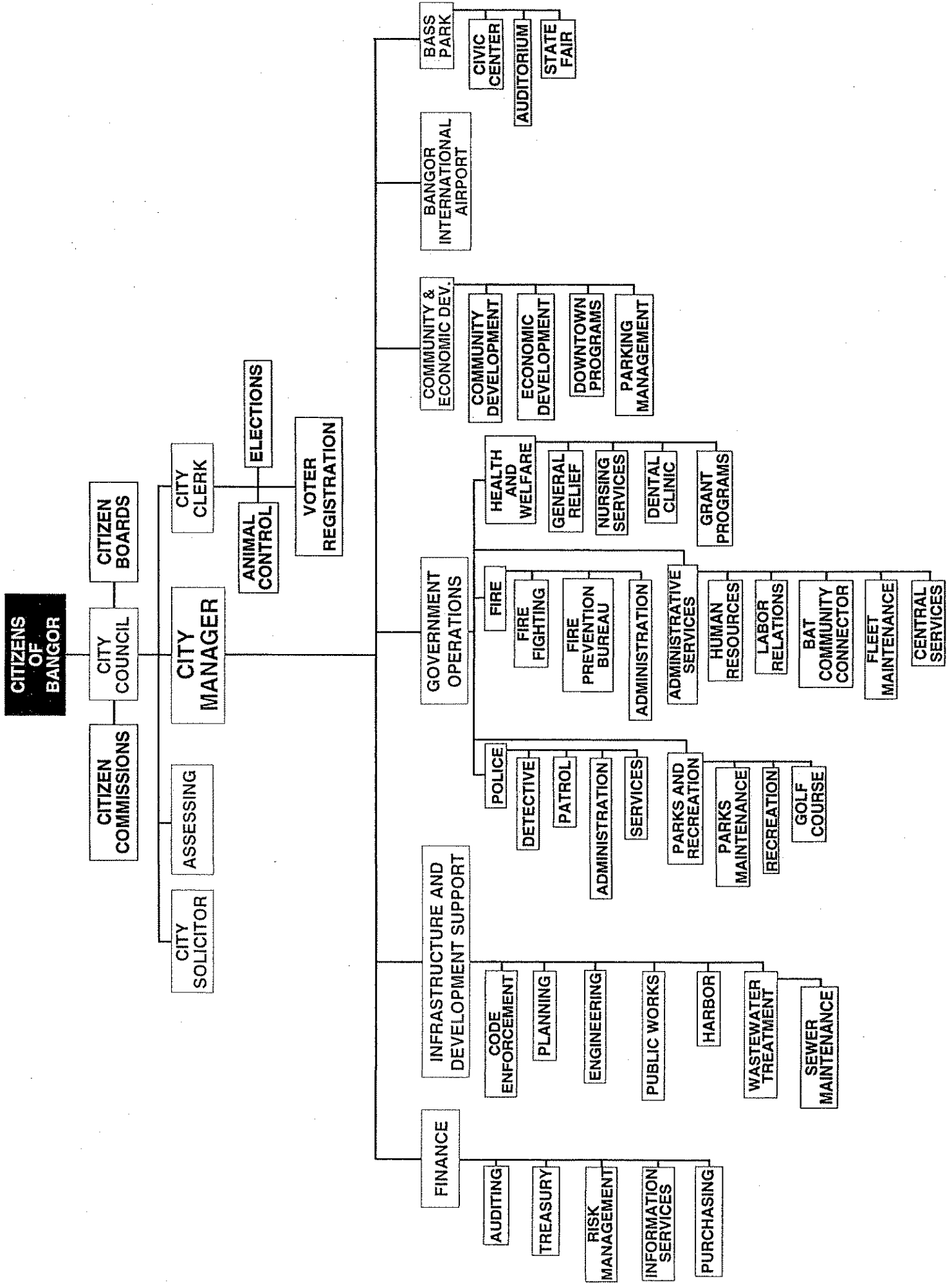
*Carol E. Fudge*

President

*Jeffrey R. Emer*

Executive Director





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**City of Bangor, Maine  
Elected Officials and Principal Administrative Officers  
June 30, 2006**

**City Council**

John H. Cashwell, Mayor

Anne E. Allen  
Frank J. Farrington  
Richard D. Greene  
Gerry G.M. Palmer

Peter R. D'Errico  
Geoffrey M. Gratwick  
Susan M. Hawes  
Richard I. Stone

**City Staff**

Edward A. Barrett, City Manager  
Benjamin F. Birch, City Assessor  
Patti Dubois, City Clerk  
Norman Heitmann, City Solicitor

**School Committee**

Martha G. Newman, Chair

Susan A. Carlisle  
Phyllis S. Guerette  
Christine Szal

James Cox  
Phyllis M. Shubert, Vice Chair  
Ellen Tobin

**School Staff**

Robert Ervin, Superintendent of Schools

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# **FINANCIAL SECTION**

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## Independent Auditor's Report

City Council  
City of Bangor, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bangor, Maine as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bangor, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bangor, Maine, as of June 30, 2006, and respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2006, on our consideration of the City of Bangor, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bangor, Maine's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Remya Kusteen Ouellette". The signature is written in a cursive, flowing style.

October 6, 2006  
South Portland, Maine

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management of the City of Bangor offers this narrative overview and analysis of the financial activities of the City of Bangor for the fiscal year ended June 30, 2006. In addition to comparative information from the government-wide statements, comparative data is presented on key information from the fund financial statements. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in our letter of transmittal, which can be found on pages I-1 to I-6 of this report.

### **Financial Highlights**

- The assets of the City of Bangor exceeded its liabilities at the close of the most recent fiscal year by \$199.2 million (net assets).
- As of the close of the current fiscal year, the City of Bangor's governmental funds reported combined ending fund balances of \$20.3 million, a decrease of \$1.0 million in comparison with the prior year. The decrease in fund balance is due to a reduction in unexpended bonds proceeds available within the Capital Projects Fund. Approximately 70% of the total amount, or \$14.3 million is available for spending at the City's discretion (unreserved fund balance).
- The City of Bangor has a fund balance policy. The City strives to maintain a general fund unreserved/undesignated fund balance of 5% to 10% of current expenditures less debt service. At the end of the current fiscal year, unreserved undesignated fund balance for the general fund was \$7.4 million, or 9.8% of the general fund expenditure base. The annual calculation is included within the financial statements as Schedule F-2.
- The total liabilities of the City's governmental and enterprise funds decreased by \$2.3 million (15.6%) and \$2.9 million (5.3%), respectively. The change in governmental fund liabilities is due to a decrease in interfund loans payable of \$2.2 million, which reflects a timing issue associated with a decrease in intergovernmental receivables. The decrease in enterprise fund liabilities is due to principal repayments exceeding new debt issued by \$1.0 million and a decrease of \$2.0 million in accounts payable due to the timing of invoices received in the prior year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Bangor's basic financial statements. These statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements present the financial picture of the City from the point of view of economic resources measurement and using the accrual basis of accounting, which is similar to that used by private-sector companies. These statements present governmental activities and business type activities separately.

The statement of net assets includes all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused employee vacation leaves).

These statements are divided into two categories: governmental activities and business-type activities.

- Governmental activities – Most of the City's basic services are included here, such as the general government, public safety, public works, health and welfare, education, and parks and recreation. These activities are principally supported by taxes and intergovernmental revenues.
- Business-type activities – Currently, the City operates the following business-type activities: Bangor International Airport, Sewer Utility, the Bass Park Complex, Parking, Golf Course, Economic Development, and the Park Woods Complex.

The government-wide financial statements can be found on pages II-15 to II-16 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Bangor, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental funds and governmental activities.

The City of Bangor maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, community development block grant, racino fund, and capital projects fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single aggregated presentation.

Individual fund data for each of these non-major governmental funds is provided in the form of combining statements (Schedule B) elsewhere in this report.

The City of Bangor adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget (Schedule A-2).

- Proprietary funds are used to account for essentially the same functions reported as business-type activities in the government-wide financial statements. Enterprise funds are the only type of proprietary funds maintained by the City. The proprietary fund statements provide the same type of information as the government-wide statements, only in more detail.

The City maintains seven individual proprietary funds, all of which are considered to be major.

The City of Bangor adopts annual budgets for all of its proprietary funds. Budgetary comparison statements have been provided for each proprietary fund to demonstrate compliance with budget (Schedule C1 – C7).

- Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Its' statement of net assets is included in this report as Exhibit 10.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages II-27 through II-49 of this report.

## Government-wide Financial Analysis

The following is a condensed version of the Statement of Net Assets.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current & other assets	32,384,087	33,494,057	27,683,760	33,140,730	60,067,847	66,634,787
Capital assets, net	<u>71,620,583</u>	<u>67,242,532</u>	<u>192,561,963</u>	<u>191,578,046</u>	<u>264,182,546</u>	<u>258,820,578</u>
Total assets	104,004,670	100,736,589	220,245,723	224,718,776	324,250,393	325,455,365
Long-term debt outstanding	64,772,239	63,316,604	46,788,985	47,682,467	111,561,224	110,999,071
Other liabilities	<u>11,051,573</u>	<u>10,923,005</u>	<u>2,389,888</u>	<u>4,359,887</u>	<u>13,441,461</u>	<u>15,282,892</u>
Total liabilities	75,823,812	74,239,609	49,178,873	52,042,354	125,002,685	126,281,963
Net assets:						
Invested in:						
Capital assets, net of related debt	44,381,677	41,904,750	153,375,606	150,851,663	197,757,283	192,756,413
Restricted *	1,002,525	1,015,918	-	-	1,002,525	1,015,918
Unrestricted *	<u>(17,203,344)</u>	<u>(16,423,688)</u>	<u>17,691,244</u>	<u>21,824,759</u>	<u>487,900</u>	<u>5,401,071</u>
Total net assets	28,180,858	26,496,980	171,066,850	172,676,422	199,247,708	199,173,402

\* Certain amounts in 2005 have been reclassified to conform with 2006 presentation

By far the largest portion of the City's net assets (99% or \$197.7 million) reflects its investment in capital assets (i.e. land, buildings, machinery and equipment) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to satisfy these liabilities. Restricted net assets are those resources that are subject to external restrictions on how they may be used. While the remaining balance of unrestricted net assets is approximately \$500 thousand, the governmental activity portion shows a deficit of \$17.2 million. This is primarily due to \$27.7 million in outstanding pension obligation bonds. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for most of its separate governmental and business-type activities with the exception of the unrestricted governmental activities net assets. The same situation held true for the prior fiscal year.

While total net assets remain relatively unchanged, there was a reversal of balances between governmental and business-type activities. The decrease in business type activities is directly related to the cyclical nature of capital grants received while the increase in governmental activities is due to actual revenue outpacing estimates specifically in the areas of excise tax, state revenue sharing, and ambulance fees, combined with the introduction of the new racino fund.

## Changes in Net Assets

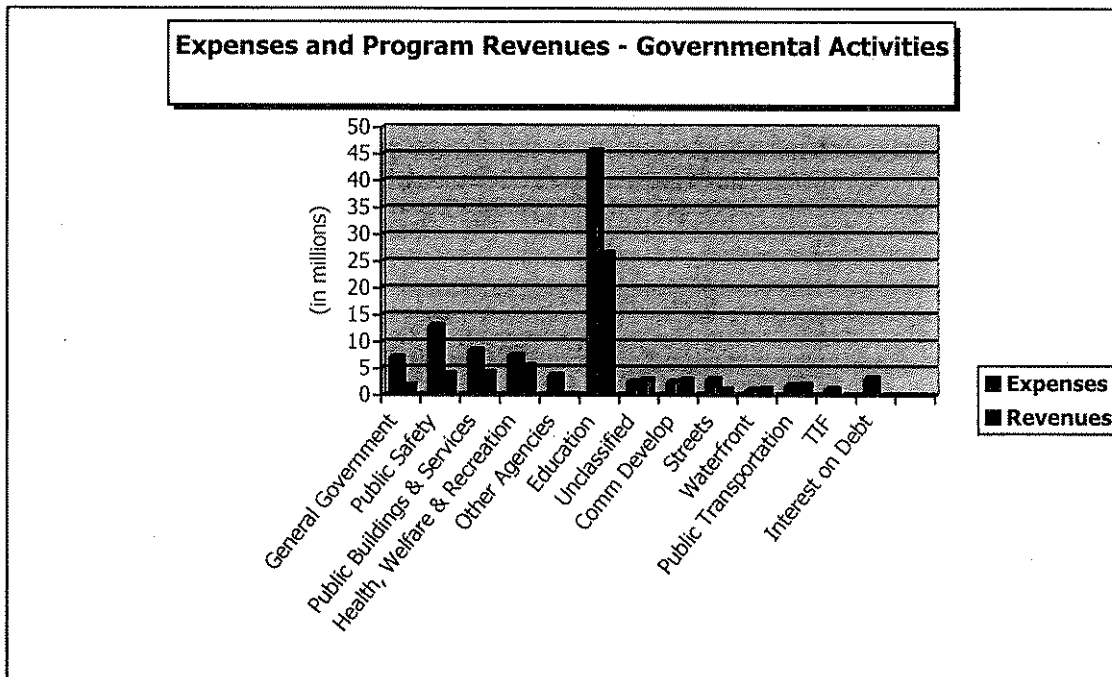
The following is a condensed version of the Statement of Activities.

(\*Certain amounts within 2005 have been reclassified to conform with 2006 presentation)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b><u>2006</u></b>	<b><u>2005*</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>Revenues</b>						
Program Revenues						
Charges for services	15,607,246	13,444,768	21,989,212	21,011,412	37,596,458	34,456,180
Operating grants & contributions	29,577,430	25,899,908	-	-	29,577,430	25,899,908
Capital grants & contributions	3,788,485	4,117,072	2,581,874	7,749,367	6,370,359	11,866,439
General Revenues						
Property and other taxes	45,855,053	45,113,317	-	-	45,855,053	45,113,317
Grants and contributions not Restricted to specific programs	4,773,082	4,487,931	-	-	4,773,082	4,487,931
Other	731,967	999,634	635,454	895,064	1,367,421	1,894,698
Total Revenues	100,333,263	94,062,630	25,206,540	29,655,843	125,539,803	123,718,473
<b>Expenses</b>						
General government	6,947,106	6,435,386	-	-	6,947,106	6,435,386
Public safety	12,890,750	12,586,696	-	-	12,890,750	12,586,696
Health, welfare and recreation	7,301,546	6,578,783	-	-	7,301,546	6,578,783
Public buildings and services	8,256,266	7,638,558	-	-	8,256,266	7,638,558
Other agencies	3,610,935	3,514,658	-	-	3,610,935	3,514,658
Education	45,522,795	43,065,873	-	-	45,522,795	43,065,873
Unclassified	947,025	190,840	-	-	947,025	190,840
Community development	2,419,594	2,107,037	-	-	2,419,594	2,107,037
Streets/sidewalks	2,911,131	-	-	-	2,911,131	-
Waterfront	990,961	1,041,239	-	-	990,961	1,041,239
Public transportation	1,798,968	1,391,962	-	-	1,798,968	1,391,962
Interest on debt	3,098,248	3,166,250	-	-	3,098,248	3,166,250
Tax increment financing	1,092,770	1,212,951	-	-	1,092,770	1,212,951
Sewer Utility	-	-	5,818,127	5,859,588	5,818,127	5,859,588
Airport	-	-	16,947,056	16,368,681	16,947,056	16,368,681
Park Woods	-	-	540,207	598,854	540,207	598,854
Parking	-	-	1,322,138	1,425,508	1,322,138	1,425,508
Bass Park	-	-	1,918,111	1,889,215	1,918,111	1,889,215
Municipal Golf Course	-	-	647,499	592,323	647,499	592,323
Economic Development	-	-	484,264	397,881	484,264	397,881
Total Expenses	97,788,095	88,930,233	27,677,402	27,132,050	125,465,497	116,062,283
Excess (deficiency) before transfers	2,545,168	5,219,103	(2,470,862)	2,523,793	74,306	7,742,896
Transfers	(861,290)	(837,806)	861,290	837,806	-	-
<b>Change in net assets</b>	<b>1,683,878</b>	<b>4,381,297</b>	<b>(1,609,572)</b>	<b>3,361,599</b>	<b>74,306</b>	<b>7,742,896</b>

## Governmental Activities

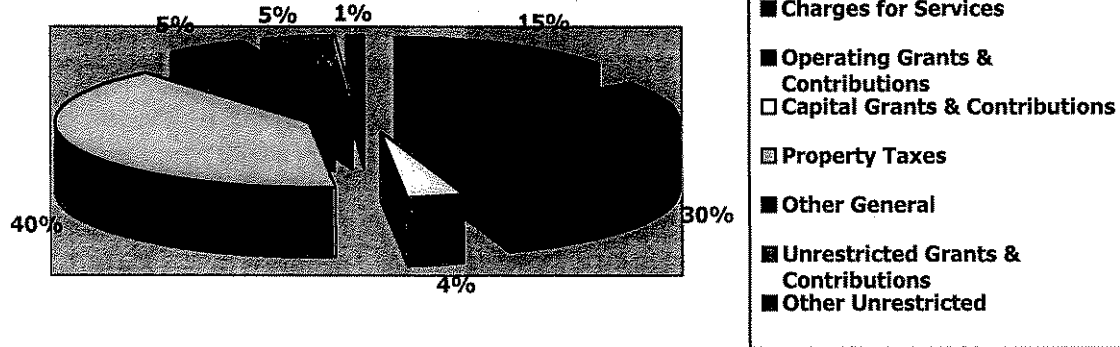
The cost of all governmental activities was \$97.8 million. As shown on the Statement of Activities, the total amount financed by the City's property taxpayers was \$40.7, million or 41.6%. Those who directly benefit an activity provided \$15.6 million in payments. Other governments and organizations subsidized certain activities with operating grants and contributions in the amount of \$29.6 million. Capital grants and contributions accounted for \$3.8 million. The City also received \$10.7 million in other general revenues such as State Revenue Sharing, motor vehicle and boat excise taxes, homestead exemptions, and interest earnings.



Total governmental activities expenses increased 10% over the prior year. The largest single increase was in streets/sidewalks, which reflects the expensing of a number of projects work completed with local and state funding. In addition, Education expenses increased by \$2.5 million, or 5.8%, which can be attributed to increased wage, health insurance, and utility costs. Other governmental functions experienced a 2% cost of living wage adjustment, a 12% increase in health insurance premiums, and an 18% increase in utility costs (fuel oil, vehicle fuel, electricity).



### Revenues by Source - Governmental Activities

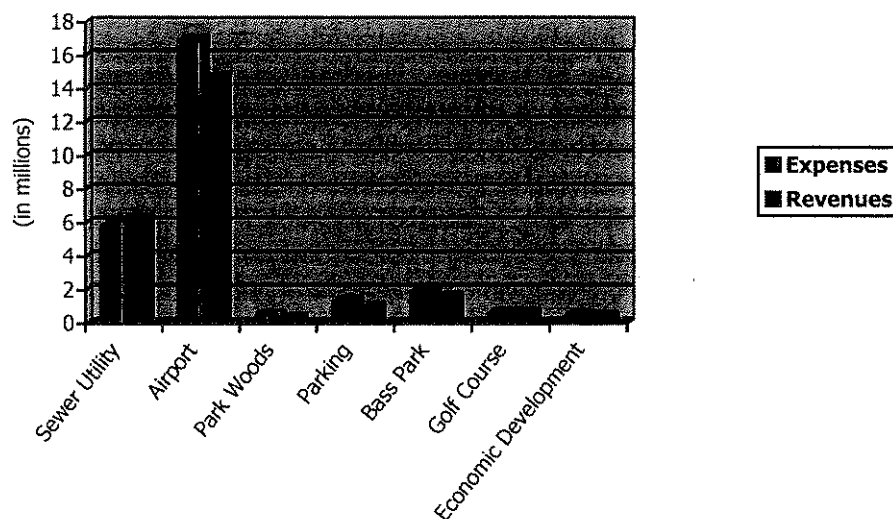


Total governmental activities revenues increased 6.7%. While the largest single source of revenue continues to be the property tax, it has decreased from 43% of total revenue in 2005 to 40% in 2006. Revenue resulting from services provided increases in two specific areas, ambulance fees and the newly created racino fund. However, the largest area of revenue growth is within the intergovernmental category. In 2006, the City received an additional \$2 million in funding from the State as a result of the implementation of the Essential Program and Services Model for educational funding. The City was also the recipient of nearly \$1 million in additional grant funds in support of health & welfare and public transportation related functions.

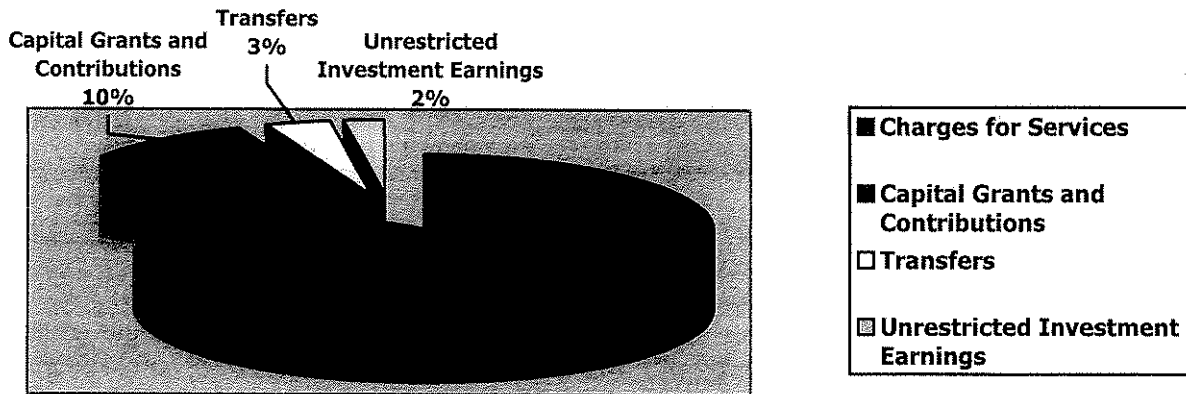
### Business-type Activities

Total expenses of business-type activities were virtually unchanged from the prior year, increasing a modest .2%, while absorbing expenditure increases similar to those seen in governmental activities. This smaller increase reflects the less labor intensive nature of these functions. Total net assets decreased by \$1.6 million.

### Expenses and Program Revenues - Business-type Activities



### Revenues by Source - Business-type Activities



The revenues of total business-type activities decreased by \$4.4 million. This decrease is attributable to an anticipated decrease in capital grants, and a reduction in the market value of investments. The source of funding for Airport capital projects is cyclical in nature. In one year, the majority may be provided by grants while the following year's may be primarily supported through local sources such as passenger facility charges previously collected by the Airport.

### Financial Analysis of the Government's Funds

**Governmental funds.** The focus of the City's governmental funds reporting is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

At fiscal year end, the City of Bangor's governmental funds reported combined ending fund balances of \$20.3 million, a reduction over the prior year's balance of \$21.3 million. Approximately 70% of this total (\$14.3 million) constitutes unreserved fund balance that is available for spending at the City's discretion. The remainder is reserved, indicating that it is not available for new spending because it has already been committed for various purposes including liquidating prior period contracts and purchase orders (\$3.9 million), reserving for potential non-repayment of interfund balances (\$1.4 million), or set aside for a variety of other restricted purposes (\$0.7 million).

The general fund is the chief operating fund of the City and is comprised of two major functions, education and municipal services. At the end of the fiscal year, the total unreserved fund balance of the general fund was \$10.8 million (\$3.4 million of which has been designated by management for subsequent years' expenditures). The general

fund's total fund balance was \$13.0 million, a reduction from the prior year's balance of \$13.1 million. By statute, the amount of education related fund balances are limited and must be segregated from municipal balances. In addition, the City is prohibited from transferring funds from the education function to municipal functions. While the general fund's total fund balance decreased \$.1 million from the prior year, the education related balance decreased by \$1.0 million, while the municipal portion increased by \$.9 million. Over the last few years, the City has consistently held funds in excess of its 7.5% target. In order to bring our undesignated fund balance into a more acceptable range, the City appropriated \$1.0 million during fiscal year 2007 to fund further environmental assessment of the Penobscot River and associated legal costs.

**Proprietary funds.** Information on the City of Bangor's proprietary funds is similar to that found in the government-wide financial statements, but in more detail.

The unrestricted net assets of the seven enterprise funds decreased \$1.6 million to a total of \$171.1 million, including a net asset deficit of \$1.5 million in the Bass Park Fund and \$200 thousand in the Parking Fund.

The Airport Fund shows a significant decrease in net assets for 2006, wholly attributable to a decrease in capital grant funds. While Sewer and Bass Park operations experienced an increase in net assets of \$360 and \$31 thousand respectively, all other operations resulted in small decreases ranging from \$26 to \$69 thousand.

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were minimal. The City's commitment to budgetary integrity continue with actual revenues exceeding budgeted amounts by 2.9% or \$2.3 million, while municipal expenditures were over budget by .1% or \$600 thousand. The majority of our over expenditures were offset by additional revenues, specifically in the areas of general assistance and sanitation.

## **Capital Asset and Debt Administration**

**Capital assets.** As of June 30, 2006, the City of Bangor's investment in capital assets for its governmental and business-type activities amounted to \$264.2 million (net of accumulated depreciation), an increase of \$5.4 million over the prior year. This investment includes land, buildings, machinery and equipment, roads, runways, and sewer lines. The total increase in the City's investment in capital assets for the current fiscal year was 2.1% with a 6.5% increase for governmental activities and a .5% increase for business-type activities.

Major capital asset events during the current fiscal year included the following;

- A \$1.0 million investment in infrastructure on the City's waterfront
- Initial construction of a new police station in the amount of \$4.8 million
- Replacing municipal vehicles at a cost of \$1.5 million, including a public transit bus and an emergency command vehicle, whose costs were partially offset by \$550 thousand in grant funds

- Upgrading the City's BAT Community Connector (public transit) Storage facility in the amount of \$400 thousand
- Continuing the City's aggressive combined sewer overflow control program in the amount of \$1.5 million
- Investing \$3.2 million in operational assets at Bangor International Airport, including the upgrade and acquisition of property, constructing a deicing fluid collection system, and preliminary costs associated with a planned parking garage and snow removal equipment building.

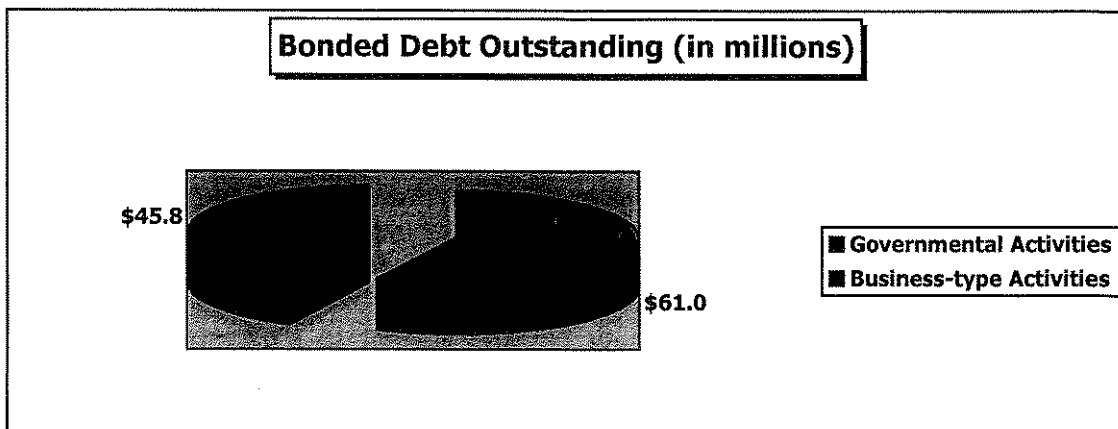
### **Capital Assets (net of depreciation)**

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
Land and improvements	9,643,191	4,783,418
Buildings and improvements	32,422,965	17,615,401
Machinery and equipment	3,950,581	2,142,948
Vehicles	5,639,808	-
Infrastructure	6,952,607	41,905,461
Parking structures	-	3,871,940
Aircraft operational assets	-	116,734,660
Construction in process	13,011,431	5,508,135
Total	<u>71,620,583</u>	<u>192,561,963</u>

Additional information on the City's capital assets can be found in Note C, Detailed Notes on all funds, of this report.

### **Debt Administration**

At fiscal year end, the City had a total outstanding bonded debt of \$106.8 million, an increase of \$.6 million during the year. This increase is temporary in nature since \$1.3 million of debt was issued in June 2006 in order to call \$1.2 million of outstanding 1995 and 1996 bonds with principal payments due in September 2006.



The City's general obligation debt maintained a "AA-" rating from Standard & Poor's and a "Aa3" rating from Moody's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total State assessed valuation. The current debt limit for the City is \$309.5 million, an amount which is significantly in excess of existing general obligation debt.

Additional information on the City's long-term debt can be found in Note I on pages II-39 to II-42 of this report.

### **Economic Factors and Next Year's Budget and Rates**

- The unemployment rate for the City of Bangor for calendar year 2005 is 4.7% and continues to compare favorably to the State's rate of 4.8%.
- The City's share of retail sales remains in excess of 9% of total statewide sales and has grown to 74% of county sales while Bangor represents less than 3% of the state's population.
- The increased in residential construction that the City began to experience in 2002 has persisted. Developers continue to construct new housing and develop new residential subdivisions without a need for the City to significantly improve infrastructure to accommodate this growth.

Bangor is the only municipality in Maine that has met the requirements of state law that allow for the operation of slot machines at commercial harness racing tracks. As a result, we now host Penn National Gaming which opened a "racino" at an interim location in the City in November 2005. Penn National plans to begin construction of its permanent facility in the spring of 2007. The location of such a facility in Bangor is seen as a potential means to provide income streams that can fund public projects that either should not or can not be borne by our taxpayers alone.

The rents and state taxes received from the operation of the slot facility have been placed into a newly created Racino Fund. The primary purpose of this fund is to provide the necessary resources to construct a new arena in Bangor to replace the Bangor Auditorium which opened in Bass Park in 1954.

In April 2006, The City received approval from the the Maine Department of Economic and Community Development for the creation of a Downtown Development Municipal Tax Increment Financing (TIF) District, encompassing our downtown area including the waterfront. This district will enable the City to capture new real estate and personal

property taxes generated from development within the district and use the funds for a number of infrastructure projects within its boundaries, such as repairing and constructing, parking structures, investing in sidewalks and streetscape improvements, and recreational amenities.

Beginning with fiscal year 2006, the City became subject to state statutory system (known as LD 1) that is designed to limit the increase in that portion of the tax levy that supports municipal functions. Generally the growth of the tax levy is limited to increases equal to the ten year percentage change in real statewide personal incomes plus taxes from property value resulting from new construction, major renovations to existing properties, or the subdivision of property. In addition, any "net new state funding," defined as percentage increases in state support programs to municipalities in excess of the LD 1 limit, must be deducted from the allowable tax levy increase. LD 1 also increased the State's share of local education costs through the "Essential Programs and Services" funding model as a mechanism for controlling local school expenditures.

The implementation of LD 1 complemented a number of the City's long-standing objectives, including controlling the rate of increase in property taxes and achieving proportionately greater State funding for the Bangor School Department.

For Fiscal Year 2006, the City Council voted to increase the City's LD 1 property tax levy limit in order to recognize a significant increase in State reimbursement for the General Assistance program. Since State reimbursements for General Assistance must be spent on this program, and given that General Assistance is a State mandate over which the City has limited to no control, management considers this levy limit increase to be a technical modification to the LD 1 requirements. In 2006, the State Legislature addressed this concern by exempting General Assistance reimbursements from the "net new state funding" deduction required by LD 1. As a result of these actions, the City's actions adopted municipal budget met the requirements of LD 1.

For Fiscal Year 2007 and as required by LD 1, the City Council voted to increase the City's property tax levy limit to recognize a "net new state funding" increase in Local Road Assistance. The City earmarks these state provided funds for its annual road paving capital program and not for day to day operations. Prior to July 1, 2006, the State legislature amended LD 1 to eliminate the local road assistance from the "net new state funding" limitation; however, that amendment did not become effective until after July 1, the date by which the City must adopt a budget for the year. The Council's vote to increase the tax levy limit insured that the City complied, both technically and in spirit, with the requirements of LD 1.

LD 1 also implemented the Essential Programs and Services Model for educational funding. This model sets forth a comprehensive methodology for computing the cost of providing essential educational programs to Maine's children. It also establishes a schedule designed to increase the State's share of total Essential Programs and Services costs to 55% over a four year period. Due to this change the City received approximately \$2 million more in State School Aid for the fiscal year ending June 30, 2006. While the State's model recognizes what it considers to be essential programs and their appropriate funding level, the Bangor School Department has identified a number of programs that are either under-funded or not funded by this model. As a

result, both the School Committee and the City Council voted to increase the educational spending limits imposed by LD 1 in order to appropriately fund such services and programs for both Fiscal Year 2006 and 2007.

Management continues to track other areas of revenue and expenditure concern. On the revenue side, we are focusing on flat rates of return on investments and the ability of automobile excise tax to keep pace with its recent trend of 4.5% average annual increases. As to expenses, insurance costs have proven volatile. We anticipate returning to near double-digit cost increases for employee health insurance and somewhat lower increases for commercial liability insurance. We are also concerned about higher energy costs and are implementing a series of short and long term efforts to reduce the City's energy use. Finally, the City will be faced with increased debt service in coming years due to the construction of a new police station. In the near term, we anticipate limiting the issuance of general obligation bonds for other projects in order to minimize the impact of debt service payments on our taxpayers.

User fees for both governmental and business-type activities are reviewed on an annual basis to ensure that fee structures are sufficient to cover the cost of providing such services. Many fees are adjusted annually for inflation. In addition a 5% increase in sewer fees was enacted effective July 1, 2006. This is the first sewer fee increase since March 1996.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Bangor's finances. Questions concerning any of this information should be addressed to the Finance Director, City of Bangor, 73 Harlow Street, Bangor, ME 04401.

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# **BASIC FINANCIAL STATEMENTS**



**CITY OF BANGOR, MAINE**  
**Statement of Net Assets**  
**June 30, 2006**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 864,471	\$ 63,893	\$ 928,364
Investments	11,039,263	20,905,255	31,944,518
Receivables:			
Accounts (net of allowance of \$267,648 and \$200,996, respectively)	855,256	4,302,092	5,157,348
Intergovernmental	3,244,093	820,605	4,064,698
Taxes and liens receivable - prior years	920,285	-	920,285
Taxes receivable - current year	750,838	-	750,838
Deferred special assessments	30,130	88,700	118,830
Due from water district	-	189,391	189,391
Loans	7,744,229	2,207,984	9,952,213
Internal balances	1,935,255	(1,935,255)	-
Inventories	637,133	126,185	763,318
Prepaid items	37,757	102,995	140,752
Other assets	4,325,377	811,915	5,137,292
Non-depreciable capital assets	18,051,979	9,135,937	27,187,916
Depreciable capital assets, net	53,568,604	183,426,026	236,994,630
Total assets	104,004,670	220,245,723	324,250,393
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	3,079,420	1,999,897	5,079,317
Accrued payroll	3,594,767	281,471	3,876,238
Unearned revenues	4,377,386	108,520	4,485,906
Noncurrent liabilities			
Due within one year	6,219,214	4,398,972	10,618,186
Due in more than one year	58,553,025	42,390,013	100,943,038
Total liabilities	75,823,812	49,178,873	125,002,685
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	44,381,677	153,375,606	197,757,283
Restricted for:			
Nonexpendable trust principal	1,002,525	-	1,002,525
Unrestricted	(17,203,344)	17,691,244	487,900
Total net assets	\$ 28,180,858	\$ 171,066,850	\$ 199,247,708

*See accompanying notes to financial statements.*

CITY OF BANGOR, MAINE  
Statement of Activities  
For the Fiscal Year Ended June 30, 2006

Functions/programs	Program Revenues					Net (expense) revenue and changes in net assets		
	Expenses	Charges for services	Operating grants and contributions		Capital grants and contributions	Primary Government		Total
						Governmental activities	Business-type activities	
<b>Primary government</b>								
<b>Governmental activities:</b>								
General government	\$	\$	\$	\$	\$	\$	\$	\$
Public safety	6,947,106	1,672,854	27,387	32,500	(5,214,365)	-	(5,214,365)	(9,096,330)
Health, welfare and recreation	12,890,750	2,471,220	70,605	1,252,595	(1,899,354)	-	(1,899,354)	(1,899,354)
Public buildings and services	7,301,546	736,207	4,645,985	-	(4,160,506)	-	(4,160,506)	(3,610,935)
Other agencies	8,256,266	4,076,981	18,779	-	(19,159,614)	-	(19,159,614)	(87,343)
Education	3,610,935	-	-	185,190	(343,181)	-	(343,181)	(1,899,584)
Unclassified	45,522,795	4,561,352	21,616,639	-	1,011,547	-	1,011,547	105,341
Community development	947,025	859,682	-	-	1,096,302	-	1,096,302	55,593
Streets/Sidewalks	2,419,594	672,459	2,090,316	-	(1,092,770)	-	(1,092,770)	(3,098,248)
Waterfront	2,911,131	-	-	-	(3,098,248)	-	(3,098,248)	(48,814,934)
Public transportation	990,961	-	-	-	-	-	-	-
Tax increment financing	1,798,968	536,491	1,107,719	-	-	-	-	-
Interest on debt	1,092,770	-	-	-	-	-	-	-
Interest on debt	3,098,248	-	-	-	-	-	-	-
<b>Total governmental activities</b>	97,788,095	15,607,246	29,577,430	3,788,485	(48,814,934)	-	-	-
<b>Business-type activities:</b>								
Sewer Utility	5,818,127	6,206,605	-	-	388,478	-	388,478	(2,290,678)
Airport	16,947,056	12,074,504	-	2,581,874	(2,290,678)	-	(2,290,678)	(252,755)
Park Woods	540,207	287,452	-	-	(358,441)	-	(358,441)	(457,180)
Parking	1,322,138	963,697	-	-	(43,134)	-	(43,134)	(92,606)
Bass Park	1,918,111	1,460,931	-	-	(3,106,316)	-	(3,106,316)	(51,921,250)
Municipal Golf Course	647,499	604,365	-	-	-	-	-	-
Economic Development	484,264	391,658	-	-	-	-	-	-
<b>Total business-type activities</b>	27,677,402	21,989,212	-	2,581,874	(3,106,316)	-	-	-
<b>Total primary government</b>	\$	\$	\$	\$	\$	(48,814,934)	(3,106,316)	(51,921,250)
<b>General revenues:</b>								
Property taxes, levied for general purposes						40,666,758	-	40,666,758
Payment in lieu of taxes						160,457	-	160,457
Excise taxes						4,752,852	-	4,752,852
Franchise taxes						274,986	-	274,986
Grants and contributions not restricted to specific programs:								
Homestead exemption						678,789	-	678,789
Other State aid						24,478	-	24,478
State Revenue Sharing						4,069,815	-	4,069,815
Unrestricted investment earnings						699,417	635,454	1,334,871
Miscellaneous revenues						32,550	-	32,550
Transfers						(861,290)	861,290	-
<b>Total general revenues and transfers</b>						50,498,812	1,496,744	51,995,556
<b>Change in net assets</b>						1,683,878	(1,609,572)	74,306
<b>Net assets, beginning of year</b>						26,496,980	172,676,422	199,173,402
<b>Net assets, end of year</b>						\$	\$	\$
						28,180,858	171,066,850	199,247,708

See accompanying notes to financial statements.

**CITY OF BANGOR, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	General	Community Development Block Grant	Racino Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
<b>Assets</b>						
Cash	\$ 322,587	\$ -	\$ 250,543	\$ 163,894	\$ 127,447	\$ 864,471
Investments	10,655,899	-	-	-	383,364	11,039,263
Receivables:						
Taxes	1,671,122	-	-	-	-	1,671,122
Accounts (net of allowance of \$267,648)	855,256	-	-	-	-	855,256
Interfund	2,264,233	-	149,808	-	144,090	2,558,131
Intergovernmental	1,478,059	341,583	106,302	1,048,851	269,298	3,244,093
Loans	1,173,291	3,997,562	-	-	2,573,376	7,744,229
Deferred special assessments	-	-	-	30,130	-	30,130
Inventory, at cost	637,133	-	-	-	-	637,133
Investment of unexpended bond proceeds	-	-	-	4,325,377	-	4,325,377
Prepaid items	36,299	1,458	-	-	-	37,757
<b>Total assets</b>	<b>\$ 19,093,879</b>	<b>\$ 4,340,603</b>	<b>\$ 506,653</b>	<b>\$ 5,568,252</b>	<b>\$ 3,497,575</b>	<b>\$ 33,006,962</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 863,973	\$ 110,069	\$ -	\$ 1,482,353	\$ 66,244	\$ 2,522,639
Accrued wages and benefits payable	3,594,767	-	-	-	-	3,594,767
Interfund loans payable	-	149,808	-	-	473,068	622,876
Unearned revenues	1,617,881	3,997,562	-	-	296,120	5,911,563
Due to rehabilitation recipients	-	13,605	-	-	-	13,605
<b>Total liabilities</b>	<b>6,076,621</b>	<b>4,271,044</b>	<b>-</b>	<b>1,482,353</b>	<b>835,432</b>	<b>12,665,450</b>
<b>Fund balances</b>						
Reserved for:						
Encumbrances	719,831	19,273	-	3,160,265	628	3,899,997
Prepaid items	36,299	-	-	-	-	36,299
Advances to other funds	1,432,689	-	-	-	-	1,432,689
Nonexpendable trust principal	-	-	-	-	652,303	652,303
Unreserved:						
Designated (Note J)	3,430,033	-	-	-	-	3,430,033
Undesignated, reported in:						
General fund	7,398,406	-	-	-	-	7,398,406
Special revenue funds	-	50,286	506,653	-	1,658,990	2,215,929
Capital projects funds	-	-	-	925,634	-	925,634
Permanent funds	-	-	-	-	350,222	350,222
<b>Total fund balances</b>	<b>13,017,258</b>	<b>69,559</b>	<b>506,653</b>	<b>4,085,899</b>	<b>2,662,143</b>	<b>20,341,512</b>
<b>Total liabilities and fund balances</b>	<b>\$ 19,093,879</b>	<b>\$ 4,340,603</b>	<b>\$ 506,653</b>	<b>\$ 5,568,252</b>	<b>\$ 3,497,575</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

71,620,583

Other long-term assets are not available to pay for current-period expenditure and, therefore, are deferred in the funds.

1,534,177

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds

(65,315,414)

Net assets of governmental funds

**\$ 28,180,858**

See accompanying notes to financial statements.

**CITY OF BANGOR, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2006**

	General	Community Development Block Grant	Racino Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 44,790,189	\$ -	\$ -	\$ -	\$ 1,064,448	\$ 45,854,637
Intergovernmental	27,995,989	2,090,316	-	3,364,169	4,264,208	37,714,682
Licenses and permits	538,534	-	-	-	-	538,534
Charges for services	12,367,709	-	-	-	560,280	12,927,989
Program income	-	343,496	-	-	319,773	663,269
Revenue from use of money and property	1,288,744	19,688	829,288	142,403	69,689	2,349,812
Other	36,195	9,190	-	424,316	56,659	526,360
<b>Total revenues</b>	<b>87,017,360</b>	<b>2,462,690</b>	<b>829,288</b>	<b>3,930,888</b>	<b>6,335,057</b>	<b>100,575,283</b>
<b>Expenditures</b>						
Current:						
General government	4,642,935	-	-	-	-	4,642,935
Public safety	12,852,119	-	-	-	-	12,852,119
Health, welfare and recreation	4,084,948	-	-	-	-	4,084,948
Public buildings and services	8,991,673	-	-	-	-	8,991,673
Other agencies	3,838,458	-	-	-	-	3,838,458
Education	46,491,735	-	-	-	-	46,491,735
Unclassified	126,875	-	141,807	-	-	268,682
Restricted grants	-	2,306,383	-	-	6,041,950	8,348,333
Capital outlay	430,551	-	-	11,332,281	-	11,762,832
Debt service	3,846,364	-	-	-	-	3,846,364
<b>Total expenditures</b>	<b>85,305,658</b>	<b>2,306,383</b>	<b>141,807</b>	<b>11,332,281</b>	<b>6,041,950</b>	<b>105,128,079</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,711,702</b>	<b>156,307</b>	<b>687,481</b>	<b>(7,401,393)</b>	<b>293,107</b>	<b>(4,552,796)</b>
<b>Other financing sources (uses)</b>						
General obligation debt	-	-	-	4,333,000	-	4,333,000
Sale of assets	120,479	-	-	-	-	120,479
Transfers to other funds	(2,200,163)	(92,325)	(180,828)	(93,837)	(531,984)	(3,099,137)
Transfers from other funds	281,571	-	-	1,950,148	6,128	2,237,847
<b>Total other financing sources (uses)</b>	<b>(1,798,113)</b>	<b>(92,325)</b>	<b>(180,828)</b>	<b>6,189,311</b>	<b>(525,856)</b>	<b>3,592,189</b>
<b>Changes in fund balances</b>	<b>(86,411)</b>	<b>63,982</b>	<b>506,653</b>	<b>(1,212,082)</b>	<b>(232,749)</b>	<b>(960,607)</b>
<b>Fund balances, beginning of year</b>	<b>13,103,669</b>	<b>5,577</b>	<b>-</b>	<b>5,297,981</b>	<b>2,894,892</b>	<b>21,302,119</b>
<b>Fund balances, end of year</b>	<b>\$ 13,017,258</b>	<b>\$ 69,559</b>	<b>\$ 506,653</b>	<b>\$ 4,085,899</b>	<b>\$ 2,662,143</b>	<b>\$ 20,341,512</b>

*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2006**

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Net change in fund balances - total governmental funds (from Exhibit 4)	\$	(960,607)
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Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$7,076,441 exceeded depreciation expense of \$2,698,390 in the current period.

4,378,051

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds of \$4,333,000 exceeded repayments of \$2,748,866.

(1,584,134)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(149,432)

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Change in net assets of governmental activities (see Exhibit 2)	\$	1,683,878
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*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Budgeted amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$ 43,931,087	\$ 43,931,087	\$ 44,790,189	\$ 859,102
Intergovernmental	22,736,879	22,759,199	23,442,508	683,309
Licenses and permits	451,900	451,900	538,534	86,634
Charges for services				
municipal	7,012,610	7,012,610	7,631,324	618,714
school	4,604,854	4,604,854	4,561,352	(43,502)
Fines, forfeits and penalties	28,650	28,650	36,195	7,545
Revenue from use of money and property				
municipal	677,623	677,623	751,995	74,372
<b>Total revenues</b>	<b>79,443,603</b>	<b>79,465,923</b>	<b>81,752,097</b>	<b>2,286,174</b>
<b>Expenditures</b>				
Current:				
General government	4,247,878	4,272,878	4,271,261	1,617
Public safety	12,954,483	12,954,483	12,937,340	17,143
Health, welfare and recreation	3,653,807	3,658,092	4,084,948	(426,856)
Public buildings and services	8,928,557	8,946,592	9,023,632	(77,040)
Other agencies	3,837,851	3,837,851	3,833,458	4,393
Education	42,397,185	45,147,304	42,117,802	3,029,502
Debt service	3,845,676	3,845,676	3,846,364	(688)
Unclassified	108,987	108,987	131,875	(22,888)
<b>Total expenditures</b>	<b>79,974,424</b>	<b>82,771,863</b>	<b>80,246,680</b>	<b>2,525,183</b>
Excess (deficiency) of revenues over/under expenditures	(530,821)	(3,305,940)	1,505,417	4,811,357
<b>Other financing sources (uses)</b>				
Appropriation from designated fund balance	1,727,053	1,727,053	562,639	(1,164,414)
Appropriation from undesignated fund balance	475,818	475,818	-	(475,818)
Appropriation to designated fund balance	(475,818)	(475,818)	(475,818)	-
Sale of assets	22,743	22,743	46,074	23,331
Transfers to other funds	(494,435)	(494,435)	(494,435)	-
Transfers from other funds	8,000	8,000	187,303	179,303
Operating transfers	(732,540)	(732,540)	(732,540)	-
<b>Total other financing sources (uses)</b>	<b>530,821</b>	<b>530,821</b>	<b>(906,777)</b>	<b>(1,437,598)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ (2,775,119)</b>	<b>598,640</b>	<b>\$ 3,373,759</b>
Undesignated fund balance, beginning of year			6,152,195	
Change in balances carried			647,571	
<b>Undesignated fund balance, end of year</b>			<b>\$ 7,398,406</b>	

*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2006**

**Business-type Activities - Enterprise Funds**

	Sewer Utility Fund	Airport Fund	Park Woods	Parking Fund	Bass Park Fund	Municipal Golf Course	Economic Development Fund	Totals Current year
<b>ASSETS</b>								
Current assets								
Cash	\$ 22,158	\$ 23,471	\$ 102	\$ 3,813	\$ 4,772	\$ 9,560	\$ 17	\$ 63,893
Investments	1,497,302	7,527,352	-	353,719	-	853,482	-	10,231,855
Accounts receivable	1,409,899	2,897,388	-	3,188	192,613	-	-	4,503,088
Less allowance for uncollectible accounts	(22,601)	(151,285)	-	-	(27,110)	-	-	(200,996)
Net accounts receivable	1,387,298	2,746,103	-	3,188	165,503	-	-	4,302,092
Due from other governments	-	820,605	-	-	-	-	-	820,605
Due from water district	189,391	-	-	-	-	-	-	189,391
Inventories, at cost	-	110,100	-	-	16,085	-	-	126,185
Prepaid items	37,162	28,486	-	-	37,347	-	-	102,995
Total current assets	3,133,311	11,256,117	102	360,720	223,707	863,042	17	15,837,016
Noncurrent assets								
Capital Assets:								
Land and improvements	683,865	-	295,025	-	828,921	1,431,040	2,492,037	5,730,888
Buildings and improvements	27,539,270	-	1,933,061	-	5,587,727	238,408	5,872,273	41,170,739
Machinery and equipment	5,148,332	-	22,952	-	144,428	307,061	-	5,622,773
Infrastructure	50,245,044	-	-	-	-	-	-	50,245,044
Aircraft operational assets	-	224,990,353	-	-	-	-	-	224,990,353
Parking structures	-	-	-	9,968,268	-	-	-	9,968,268
Construction in process	4,207,170	1,259,498	-	-	-	41,467	-	5,508,135
	87,823,681	226,249,851	2,251,038	9,968,268	6,561,076	2,017,976	8,364,310	343,236,200
Less accumulated depreciation	(28,578,324)	(108,255,693)	(1,008,824)	(6,096,328)	(4,983,952)	(1,180,229)	(570,887)	(150,674,237)
Net capital assets	59,245,357	117,994,158	1,242,214	3,871,940	1,577,124	837,747	7,793,423	192,561,963
Investments	-	10,673,400	-	-	-	-	-	10,673,400
Loans receivable	-	2,088,520	-	-	-	-	119,464	2,207,984
Deferred special assessments	88,700	-	-	-	-	-	-	88,700
Investment of unexpended bond proceeds	-	-	-	98,805	-	594,343	-	693,148
Deposits	-	-	15,000	-	-	-	-	15,000
Bond issuance costs (net of accumulated amortization of \$290,542)	103,767	-	-	-	-	-	-	103,767
Total noncurrent assets	59,437,824	130,756,078	1,257,214	3,970,745	1,577,124	1,432,090	7,912,887	206,343,962
Total assets	62,571,135	142,012,195	1,257,316	4,331,465	1,800,831	2,295,132	7,912,904	222,180,978

*See accompanying notes to financial statements.*

Continued on next page



CITY OF BANGOR, MAINE  
Statement of Net Assets  
Proprietary Funds  
June 30, 2006

Business-type Activities - Enterprise Funds

	Sewer Utility Fund	Airport Fund	Park Woods	Parking Fund	Bass Park Fund	Municipal Golf Course	Economic Development Fund	Totals Current year
<b>LIABILITIES</b>								
Current liabilities								
Accounts payable	173,000	1,314,153	14,233	26,968	52,439	12,604	16,209	1,609,606
Accrued wages and benefits payable	44,672	188,808	2,880	6,772	22,725	15,614	-	281,471
Accrued interest	224,018	64,708	-	40,253	18,690	4,553	32,251	384,473
Workers' compensation	15,101	113,462	-	3,465	5,219	-	-	137,247
Unearned revenue	-	-	-	36,484	72,036	-	-	108,520
Accrued compensated absences	51,586	220,385	12,310	5,956	28,898	9,202	-	328,337
Interfund loans	-	-	67,000	-	1,600,755	-	267,500	1,935,255
General obligation debt payable	2,691,692	495,337	-	451,888	131,003	31,655	169,702	3,971,277
Deferred amount on refunding	(19,907)	-	-	(17,982)	-	-	-	(37,889)
Other liabilities	-	3,818	2,000	-	-	-	-	5,818
<b>Total current liabilities</b>	<b>3,180,162</b>	<b>2,400,671</b>	<b>98,423</b>	<b>553,804</b>	<b>1,931,765</b>	<b>73,628</b>	<b>485,662</b>	<b>8,724,115</b>
Long-term liabilities								
Workers' compensation	74,899	62,437	-	6,535	4,781	-	-	148,652
General obligation debt payable	23,328,281	8,028,027	-	4,004,880	1,399,377	660,992	4,388,395	41,809,952
Deferred amount on refunding	(33,191)	-	-	(35,281)	-	-	-	(68,472)
Other long-term liabilities	291,451	-	193,061	15,369	-	-	-	499,881
<b>Total long-term liabilities</b>	<b>23,661,440</b>	<b>8,090,464</b>	<b>193,061</b>	<b>3,991,503</b>	<b>1,404,158</b>	<b>660,992</b>	<b>4,388,395</b>	<b>42,390,013</b>
<b>Total liabilities</b>	<b>26,841,602</b>	<b>10,491,135</b>	<b>291,484</b>	<b>4,545,307</b>	<b>3,335,923</b>	<b>734,620</b>	<b>4,874,057</b>	<b>51,114,128</b>
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt	34,253,268	113,259,159	1,242,214	41,527	512,023	832,090	3,235,326	153,375,607
Unrestricted	1,476,265	18,261,902	(276,382)	(255,369)	(2,047,115)	728,422	(196,479)	17,691,244
<b>Total net assets</b>	<b>\$ 35,729,533</b>	<b>\$ 131,521,061</b>	<b>\$ 965,832</b>	<b>\$ (213,842)</b>	<b>\$ (1,535,092)</b>	<b>\$ 1,560,512</b>	<b>\$ 3,038,847</b>	<b>\$ 171,066,851</b>

*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2006**  
**Business-type Activities - Enterprise Funds**

	Sewer Utility Fund	Airport Fund	Park Woods	Parking Fund	Bass Park Fund	Municipal Golf Course	Economic Development Fund	Totals Current year
Operating revenues								
Charges for services	\$ 6,206,605	\$ 11,996,990	\$ 287,452	\$ 963,697	\$ 1,460,931	\$ 604,365	\$ 330,840	\$ 21,850,880
Operating expenses								
Operating expenses other than depreciation and amortization	3,208,494	9,924,970	451,084	626,261	1,758,275	537,101	209,517	16,715,702
Depreciation and amortization	1,661,100	6,613,306	89,123	478,381	88,436	100,099	151,371	9,181,816
Total operating expenses	4,869,594	16,538,276	540,207	1,104,642	1,846,711	637,200	360,888	25,897,518
Operating income (loss)	1,337,011	(4,541,286)	(252,755)	(140,945)	(385,780)	(32,835)	(30,048)	(4,046,638)
Nonoperating revenue (expenses)								
Interest income	75,375	475,951	417	12,079	1,142	35,610	34,880	635,454
Interest expense	(948,533)	(408,780)	-	(217,496)	(71,400)	(10,299)	(123,376)	(1,779,884)
Miscellaneous income (expense)	-	77,514	-	-	-	-	60,818	138,332
Total nonoperating revenue (expenses)	(873,158)	144,685	417	(205,417)	(70,258)	25,311	(27,678)	(1,006,098)
Net income (loss) before grants/contributions and transfers	463,853	(4,396,601)	(252,338)	(346,362)	(456,038)	(7,524)	(57,726)	(5,052,736)
Grants/contributions received for capital assets	-	2,581,874	-	-	-	-	-	2,581,874
Transfers to other funds	(100,362)	-	-	-	(1,197)	(18,200)	-	(119,759)
Transfers from other funds	-	-	183,009	310,268	487,772	-	-	981,049
Change in net assets	363,491	(1,814,727)	(69,329)	(36,094)	30,537	(25,724)	(57,726)	(1,609,572)
Net Assets, beginning of year	35,366,042	133,335,787	1,035,161	(177,748)	(1,565,629)	1,586,236	3,096,573	172,676,422
Net Assets, end of year	\$ 35,729,533	\$ 131,521,060	\$ 965,832	\$ (213,842)	\$ (1,535,092)	\$ 1,560,512	\$ 3,038,847	\$ 171,066,850

*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2006**  
**Business-type Activities - Enterprise Funds**

	Sewer Utility Fund	Airport Fund	Park Woods	Parking Fund	Bass Park Fund	Municipal Golf Course	Economic Development Fund	Total
Cash flows from operating activities								
Cash received from customers	\$ 6,253,646	\$ 13,893,704	\$ 287,452	\$ 957,134	\$ 1,446,845	\$ 604,365	\$ 330,840	\$ 23,773,986
Cash paid to suppliers for goods and services	(1,990,421)	(6,570,561)	(386,578)	(412,119)	(946,210)	(260,748)	(202,676)	(10,769,313)
Cash paid to employees for services	(1,201,106)	(4,946,310)	(73,690)	(192,145)	(787,919)	(292,211)	-	(7,493,381)
Net cash provided by (used in) operating activities	3,062,119	2,376,833	(172,816)	352,870	(287,284)	51,406	128,164	5,511,292
Cash flows from noncapital financing activities								
Interfund loans (repayments)	-	-	(13,000)	-	(50,600)	-	50,500	(13,100)
Transfers in	-	-	183,009	310,268	487,772	-	-	981,049
Transfers out	(100,362)	-	-	-	(1,197)	(18,200)	-	(119,759)
Net cash provided by (used in) noncapital financing activities	(100,362)	-	170,009	310,268	435,975	(18,200)	50,500	848,190
Cash flows from capital and related financing activities								
Proceeds from general obligation bonds	-	-	-	-	-	600,000	2,250,000	2,850,000
Acquisition and construction of capital assets	(1,911,939)	(6,164,247)	-	-	-	(60,945)	(2,603,925)	(10,741,056)
Principal paid on general obligation bonds	(2,680,361)	(480,341)	-	(456,878)	(125,745)	(864)	(98,660)	(3,842,849)
Interest paid on general obligation bonds	(945,519)	(401,831)	-	(198,505)	(72,625)	(5,746)	(124,269)	(1,748,495)
Proceeds from sale of equipment	-	77,514	-	-	-	-	-	77,514
Grant monies received for capital assets	-	1,128,306	-	-	-	-	-	1,128,306
Investment of unexpended bond proceeds	2,011,343	-	-	20,493	-	(594,343)	-	1,437,493
Net cash provided by (used in) capital and related financing activities	(3,526,476)	(5,840,599)	-	(634,890)	(198,370)	(61,898)	(576,854)	(10,839,087)
Cash flows from investing activities								
Net sales (purchases) of investments	470,788	2,903,843	-	(48,933)	-	(13,600)	357,505	3,669,603
Interest on investments	80,924	475,952	417	13,163	1,142	35,610	34,880	642,088
Loan repayments	-	11,058	-	-	-	-	5,294	16,352
Net cash provided by (used in) investing activities	551,712	3,390,853	417	(35,770)	1,142	22,010	397,679	4,328,043
Net increase (decrease) in cash	(13,007)	(72,913)	(2,390)	(7,522)	(48,537)	(6,682)	(511)	(151,562)
Cash, beginning of year	35,165	96,384	2,492	11,335	53,309	16,242	528	215,455
Cash, end of year	\$ 22,158	\$ 23,471	\$ 102	\$ 3,813	\$ 4,772	\$ 9,560	\$ 17	\$ 63,893

## Schedule of noncash investing, capital and financing activities:

During the year, the Airport Fund had an unrealized loss on investments in the amount of \$485,443.

*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2006**  
**Business-type Activities - Enterprise Funds**

	Sewer Utility Fund	Airport Fund	Park Woods	Parking Fund	Bass Park Fund	Municipal Golf Course	Economic Development Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities								
Operating income (loss)	\$ 1,337,011	\$ (4,541,286)	\$ (252,755)	\$ (140,945)	\$ (385,780)	\$ (32,835)	\$ (30,048)	\$ (4,046,638)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities								
Depreciation and amortization	1,661,100	6,613,306	89,123	478,381	88,436	100,099	151,371	9,181,816
Provision for uncollectible accounts	-	(215,105)	-	-	-	-	-	(215,105)
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable	(56,503)	1,896,714	-	(646)	(61,459)	-	-	1,778,106
(Increase) decrease in due from water district	103,544	-	-	-	-	-	-	103,544
(Increase) decrease in inventories	-	(32,364)	-	-	(2,837)	-	-	(35,201)
(Increase) decrease in prepaid items	1,718	5,089	-	-	(10,276)	-	-	(3,469)
Increase (decrease) in accounts payable	5,034	(1,396,070)	(11,766)	21,432	31,344	(16,518)	6,841	(1,359,703)
Increase (decrease) in unearned revenue	-	-	-	(5,917)	47,373	-	-	41,456
Increase (decrease) in other current liabilities	10,215	46,549	2,582	565	5,915	660	-	66,486
Total adjustments	1,725,108	6,918,119	79,939	493,815	98,496	84,241	158,212	9,557,930
Net cash provided by (used in) operating activities	\$ 3,062,119	\$ 2,376,833	\$ (172,816)	\$ 352,870	\$ (287,284)	\$ 51,406	\$ 128,164	\$ 5,511,292

*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

		Agency Fund
<b>ASSETS</b>		
Cash	\$	115,760
<b>Total assets</b>	<b>\$</b>	<b>115,760</b>
<b>LIABILITIES</b>		
Liabilities:		
Amounts held for others	\$	115,760
<b>Total liabilities</b>	<b>\$</b>	<b>115,760</b>

*See accompanying notes to financial statements.*

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## **INDEX OF NOTES TO FINANCIAL STATEMENTS**

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**CITY OF BANGOR, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**A. Reporting Entity**

The City of Bangor was incorporated under the laws of the State of Maine in 1834 and operates under a council/manager form of government. In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The criteria used to determine which entities, agencies, commissions, boards and authorities are part of the City's operations include how the budget is adopted, whether debt is secured by general obligation of the City, the City's duty to cover any deficits that may occur, and supervision over the accounting functions. Based upon all pertinent facts derived from the analysis of the above criteria, it was determined that no additional entities should be included as part of these financial statements.

The City of Bangor is a member of the Joint Venture of the Equity Charter Municipalities of Municipal Review Committee, Inc (Joint Venture). The Joint Venture is an organization that resulted from a contractual arrangement between certain member municipalities, Penobscot Energy Recovery Company (PERC) and Bangor Hydro Electric Company. It was formed to pool resources of the Equity Charter Municipalities for the long-term goal of handling the disposal of their present and projected volumes of non-hazardous municipal solid waste. As of December 31, 2005 (most recent data available) the City of Bangor's share of the Joint Venture's net assets was \$5,832,563. Complete financial statements may be obtained from Municipal Review Committee, 40 Harlow Street, Bangor, ME 04401.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Community Development Block Grant Fund accounts for federal grants obtained and expended under the Housing and Community Development Act of 1974, as amended, for the development of viable urban communities.

The Racino Fund accounts for the percentage of slot revenues received by the City from the operation of the Racino. Said funds will be used to replace the Bangor Auditorium.

The Capital Projects Fund accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or fiduciary funds.

The City reports the following major proprietary funds:

The Sewer Utility fund accounts for the costs of construction and operation of the sewage treatment plant, the City sewer system, and sewer operation activities, and is self-supported through sewer user fees.

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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The Airport Fund accounts for the operation of Bangor International Airport. The principal sources of revenues are landing fees and the sale of aviation fuel. Other revenue sources include lease payments for the use of terminal space and non-aviation industrial buildings.

The Park Woods Fund accounts for the rental of 60 units of surplus housing received from the federal government pursuant to the McKinney Homeless Assistance Act. The principal source of revenue is rental income.

The Parking Fund accounts for the operation of the City-owned parking lots and the Pickering Square garage. Revenue sources include monthly lease payments for parking spaces, hourly/daily parking fees and fines and waiver fees for parking violations. Certain of these facilities are operated under a private management contract.

The Bass Park Fund accounts for the operation of the Bangor auditorium, Bangor Civic Center, and Bangor State Fair. Principal sources of revenue are admissions, concession sales and rentals. The facility is named after the Bass family, which bequeathed the property to the City for recreational purposes.

The Municipal Golf Course Fund accounts for the operation of a 27 hole municipal golf course. Principal revenue sources are season memberships and daily greens fees.

The Economic Development Fund accounts for the operation and development of properties acquired by the City. Its purpose is to promote economic growth within the City. The principal source of revenue is rental income.

Additionally, the City reports the following fund type:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's fiduciary funds include the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. The funds are used to account for assets that the City holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's public services function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

**1. Deposits and Investments**

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements. City policy prohibits the investment in so-called "derivative instruments".

Investments are reported at fair value. Income earned from the investment of pooled cash is allocated to various funds based upon the average cash balance allocated to the fund.

**2. Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans" (i.e. current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**3. Inventories and Prepaid Items**

Inventories consist of expendable supplies held for consumption and are valued at cost. Under the consumption method, the costs of inventory items are recognized as expenditures/expenses when

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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used. The consumption method does not require a reserve for inventory and the City has chosen not to have such a reserve.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 for machinery/equipment/vehicles, \$25,000 for land/buildings and improvements and \$100,000 for infrastructure and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the assets' estimated useful lives.

The range of useful lives used to compute depreciation are as follows:

Buildings	25 – 50 years
Equipment	5 – 20 years
Infrastructure	10 – 50 years
Aircraft Operational	5 – 40 years
Parking Structures	10 – 20 years

**5. Compensated Absences**

Accumulated vacation or compensatory time or vested sick leave of governmental funds that is expected to be liquidated with expendable available resources is reported as an expenditure in respective fund financial statements only if the liability has matured, for example, as a result of employee resignations and retirements. All accumulated leave, including that which is not expected to be liquidated with expendable available financial resources, is reported in the government-wide financial statements. Accumulated leave of Enterprise Funds is recorded as an expense and liability of the respective fund as the benefits accrue to employees. No liability is recorded for non-accumulating rights to receive sick pay benefits.

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**6. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**7. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

**8. Allowance for Uncollectible Accounts and Loans**

Allowances for uncollectible accounts are maintained for all types of receivables, which historically experience uncollectible accounts. Allowances for uncollectible loans are established when the City determines its ability to collect the outstanding loan balance has been impaired.

**9. Use of Estimates**

Preparation of the City's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

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**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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**A. Budgetary Information**

Budgets are prepared on a modified accrual basis of accounting, with the exception of depreciation within the enterprise funds. Budgets for the General Fund and enterprise funds are formally adopted each year through the passage of an appropriation resolve. Budgets for special revenue and capital projects funds have adopted project-length budgets. Unencumbered appropriations lapse at fiscal year end.

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED**

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Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is employed in governmental funds. Encumbrances (i.e., purchase orders, contracts, and other commitments) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments have not been honored in the current year. For budgetary purposes, encumbrances are treated as expenditures within both governmental and proprietary fund types.

On or before the second Monday in April, the City Manager submits to the City Council a proposed operating budget for the ensuing fiscal year. The Council holds public meetings and a final budget must be prepared and adopted no later than June 30th. Should the Council fail to adopt an operating budget on or before June 30<sup>th</sup>, by Charter, the budget proposed by the City Manager becomes effective.

The budget is adopted at the department level through the passage of appropriation resolves. The City Manager may make transfers of appropriations within a department. Transfers between departments or additional appropriations require the approval of the City Council. The City Council made several supplementary budgetary appropriations throughout the year, none were material.

**B. Reconciliation of Budgetary Basis Statements**

The following schedule reconciles the General Fund amounts on the Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual—Budgetary Basis to the amounts on the Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds:

Excess of revenues over expenditures and other financing sources and uses (Budget)	\$ 598,640
Activity in designated fund balance	(453,420)
2006 encumbrances	705,431
2005 encumbrances lapsed	(16,123)
2005 encumbrances paid	(920,939)
Deficiency of revenues and other financing sources over expenditures and other uses (GAAP)	<u>\$ (86,411)</u>

The following schedule reconciles the amounts on the enterprise funds' Schedules of Revenues, Expenditures and Encumbrances—Budget and Actual—Budgetary Basis to the amount on the Combined Statement of Revenues, Expenses, and Changes in Net Assets:

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED**

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Excess (deficiency) of revenues over expenditures and encumbrances:

Sewer	\$ (2,085,180)
Airport	(4,496,485)
Park Woods	(136,993)
Parking	(461,879)
Bass Park	(90,597)
Municipal Golf Course	(40,727)
Economic Development	<u>(259,321)</u>
	<u>(7,571,182)</u>
Nonoperating revenues classification	(1,652,828)
Investments at market value	(225,438)
Capital outlay	232,026
Capital projects	(141,882)
Cash basis to accrual basis adjustments	(133,561)
Contributed capital depreciation	(237,881)
Principal payments	3,842,850
2006 encumbrances	57,388
2005 encumbrances	(40,358)
Nonoperating expenses classification	<u>1,824,228</u>
Operating loss	<u><u>\$(4,046,638)</u></u>

**C. Excess of Expenditures Over Appropriations**

The following General Fund departments were over-expended by the indicated dollar amounts; Executive \$44,256, City Clerk \$ 13,209, Assessing \$4,665, Police \$25,899, Fire \$53,958, Health and welfare \$372,902, Parks and recreation \$53,954, Public buildings and services \$77,040 and Tax increment financing payments \$51,631. These over-expenditures were funded by receipt of revenues in excess of appropriation and under-expenditures within other General Fund departments.

The Economic Development Fund was over-expended on a departmental basis by \$155,457. This over-expenditure was funded, in part, by receipt of revenues in excess of appropriations. The Park Woods and Bass Park Funds were over-expended on a departmental basis by \$39,637 and \$56,195 respectively, but were reasonable based upon the expected deficiencies within each fund.

**D. Deficit Fund Equity**

The Bass Park Enterprise Fund has a deficit fund equity of \$1,535,092. The City Council has determined that the facility will either be closed or replaced in the near future.

With continued review of parking usage and fees it is anticipated that the Parking Fund deficit of \$213,842 will at the least stabilize over the coming years.

**E. Restricted Assets**

Donations received by the City whose use is limited are placed in the appropriate Special Revenue fund, depending upon whether or not the principal can be expended. All changes in market value are added to the earnings, which is allowable by State Statute. As these amounts are invested in a note receivable, there was no change in market value for fiscal year 2006.



**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**DETAILED NOTES ON ALL FUNDS**

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**A. Deposits and Investments**

The City maintains a cash pool that is available for use by all funds. In addition, cash and investments are separately held by several of the funds.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a policy with respect to custodial credit risk for deposit accounts. The City does maintain insurance coverage to protect up to \$3,500,000 of deposits in addition to the \$100,000 provided by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2006, \$203,408 of the City's bank balance of \$4,024,381 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At June 30, 2006, the City had the following investments and maturities:

<u>Investment types</u>	<u>Fair Value</u>	<u>Not Applicable</u>	<u>Maturity (years)</u>		
			<u>&lt;1</u>	<u>1-5</u>	<u>6-10</u>
Mutual Funds	\$ 15,157,999	\$ 15,157,999	\$ -	\$ -	\$ -
US Treasuries	21,017,123	-	10,765,049	9,772,347	479,727
Common stock	737,921	737,921	-	-	-
Certificate of Deposit	50,000	50,000	-	-	50,000
<b>Totals</b>	<b>\$ 36,963,043</b>	<b>\$ 15,945,920</b>	<b>\$ 10,765,049</b>	<b>\$ 9,772,347</b>	<b>\$ 529,727</b>

Interest Rate Risk

The City's Investment Policy requires that, to the extent possible, the City will attempt to match investments with anticipated cash requirements. Unless matched to a specific cash flow, the City is not allowed to directly invest in securities maturing more than three years from the date of purchase.

Credit Risk

Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S agencies, repurchase agreements and certain corporate stocks and bonds. As of June 30, 2006, the City's investment in equities were rated by Standard and Poor's as follows:

<u>Investment type</u>	<u>Rating</u>	<u>Fair Value</u>
Mutual Funds	Not Rated	\$ 15,157,999
US Treasuries	AAA	21,017,123
Common stock	Not Rated	737,921
Certificate of Deposit	Not Rated	50,000

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. As of June 30, 2006, the City had no investments that were subject to custodial risk. The City's investment policy states that all security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a "delivery vs. payment" basis. Securities will be held by a third party custodian, or Trust Department, designated by the Treasurer and evidenced by safekeeping receipts.

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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Concentration of Credit Risk

The City's Investment Policy states that the City will diversify its investments by security type and institution. No more than 40% of the City's total investment portfolio will be invested in any combination of commercial paper and time certificates of deposit.

**B. Property Tax**

Property taxes for the current year were levied July 7, 2005, on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values are periodically established by the City's Assessor at 100% of assumed market value. Taxes were due in two installments: September 15, 2005 and March 15, 2006. Interest was charged at 7.75% on all taxes unpaid as of the due date.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred revenues. Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The City has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remain unpaid.

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,040,548	-	-	5,040,548
Construction in progress	13,772,822	8,457,114	9,218,505	13,011,431
<u>Total capital assets, not being depreciated</u>	<u>18,813,370</u>	<u>8,457,114</u>	<u>9,218,505</u>	<u>18,051,979</u>
Capital assets, being depreciated:				
Land improvements	1,873,395	4,123,982	-	5,997,377
Buildings and improvements	48,065,964	1,608,592	-	49,674,556
Machinery and equipment	7,744,294	531,850	-	8,276,144
Vehicles	10,068,804	1,661,337	382,756	11,347,385
Infrastructure	15,113,084	-	-	15,113,084
<u>Total capital assets being depreciated</u>	<u>82,865,541</u>	<u>7,925,761</u>	<u>382,756</u>	<u>90,408,546</u>
Less accumulated depreciation for:				
Land improvements	(1,232,613)	(162,121)	-	(1,394,734)
Buildings and improvements	(16,295,715)	(955,876)	-	(17,251,591)
Machinery and equipment	(3,750,745)	(574,818)	-	(4,325,563)
Vehicles	(5,280,391)	(722,013)	(294,827)	(5,707,577)
Infrastructure	(7,876,915)	(283,562)	-	(8,160,477)
<u>Total accumulated depreciation</u>	<u>(34,436,379)</u>	<u>(2,698,390)</u>	<u>(294,827)</u>	<u>(36,839,942)</u>
<u>Total capital assets being depreciated, net</u>	<u>48,429,162</u>	<u>5,227,371</u>	<u>87,929</u>	<u>53,568,604</u>
<b><u>Governmental activities capital assets, net</u></b>	<b><u>\$ 67,242,532</u></b>	<b><u>13,684,485</u></b>	<b><u>9,306,434</u></b>	<b><u>71,620,583</u></b>

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

**DETAILED NOTES ON ALL FUNDS, CONTINUED**

	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,575,836	1,051,966	-	3,627,802
Construction in progress	8,084,026	6,512,800	9,088,691	5,508,135
Total capital assets, not being depreciated	10,659,862	7,564,766	9,088,691	9,135,937
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Land improvements	2,103,086	-	-	2,103,086
Buildings and improvements	38,899,251	2,731,635	460,147	41,170,739
Machinery and equipment	5,521,776	100,997	-	5,622,773
Infrastructure	50,245,044	-	-	50,245,044
Airport operational assets	215,743,709	9,246,644	-	224,990,353
Parking structures	9,968,268	-	-	9,968,268
Total capital assets being depreciated	322,481,134	12,079,276	460,147	334,100,263
Less accumulated depreciation for:				
Land improvements	(872,856)	(74,614)	-	(947,470)
Buildings and improvements	(22,387,108)	(1,218,005)	(49,775)	(23,555,338)
Machinery and equipment	(3,205,519)	(274,306)	-	(3,479,825)
Infrastructure	(7,837,133)	(502,450)	-	(8,339,583)
Airport operational assets	(101,642,387)	(6,613,306)	-	(108,255,693)
Parking structures	(5,617,947)	(478,381)	-	(6,096,328)
Total accumulated depreciation	(141,562,950)	(9,161,062)	(49,775)	(150,674,237)
Total capital assets being depreciated, net	180,918,184	2,918,214	410,372	183,426,026
<b>Business-type activities capital assets, net</b>	<b>\$191,578,046</b>	<b>10,482,980</b>	<b>9,499,063</b>	<b>192,561,963</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 893,161
Public safety	356,520
Health, welfare and recreation	174,881
Public building and services	410,576
Education	863,252

**Total depreciation expense – governmental activities** **\$2,698,390**

<b>Business-type activities:</b>	
Sewer Utility Fund	\$1,640,346
Airport Fund	6,613,306
Park Woods	89,123
Parking Fund	478,381
Bass Park Fund	88,436
Municipal Golf Course	100,099
Economic Development Fund	151,371

**Total depreciation expense – business activities** **\$9,161,062**

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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Construction commitments

The government has active construction projects as of June 30, 2006. The projects include reconstruction of runways, construction of additional infrastructure on the waterfront, continuation of the combined sewer overflow program, and construction of with a new police station.

**D. Interfund Transactions**

Individual fund interfund receivable and payable transactions are described in the Summary of Significant Accounting Policies Note D. 2. As of June 30, 2006 the balances were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 2,264,233	\$ -
Racino Fund	149,808	-
Other HUD Funds	144,090	-
Community Development Block Grant	-	149,808
Grant Fund	-	144,090
Other Special Revenue Funds	-	328,978
Park Woods Fund	-	67,000
Bass Park Fund	-	1,600,755
Economic Development	-	267,500
	<u>\$ 2,558,131</u>	<u>\$ 2,558,131</u>

Individual fund transfers to and from other funds for the fiscal year ended June 30, 2006 are comprised primarily of transfers from fund balances to fund capital projects and to provide operating subsidies to certain proprietary funds.

	<u>Transfers to</u>	<u>Transfer from</u>
General Fund	\$ 2,200,163	\$ 281,571
Community Development Block Grant	92,325	-
Racino Fund	180,828	-
Special Revenue Funds	501,484	5,269
Capital Projects Fund	93,837	1,950,148
Proprietary Funds	119,759	981,049
Permanent Funds	30,500	859
	<u>\$ 3,218,896</u>	<u>\$ 3,218,896</u>

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**E. Due From Other Governments**

Due from other governments is comprised of the following amounts at June 30, 2006:

	Federal Government	State of Maine	Other	Total
General Fund	\$ -	\$ 1,321,154	\$ 156,905	\$ 1,478,059
Special Revenue Funds	578,711	32,170	-	610,881
Racino Fund	-	106,302	-	106,302
Capital Projects Fund	-	1,048,851	-	1,048,851
Proprietary Funds	804,807	15,798	-	820,605

Of the General Fund's \$1,321,154 due from State of Maine, \$525,364 represents school grant and State agency billings, \$551,133 is due from the Department of Transportation and \$237,036 represents general assistance claims. Amounts due from other communities for tuition reimbursement to Bangor accounts for \$80,406 of the Due from Other in the General Fund.

**F. Leases**

**Operating Leases**

The Airport and Economic Development Proprietary Funds are the lessors of various buildings and land parcels under operating leases expiring in various years through 2039 and 2034, respectively. Minimum future rentals to be received on noncancelable leases as of June 30, 2006 are:

Fiscal year ending June 30,	Airport	Economic Development
2007	\$ 2,466,899	\$ 249,140
2008	2,317,539	213,772
2009	1,393,694	219,289
2010	1,120,412	224,591
2011	861,446	224,591
Subsequent to 2011	5,566,294	1,787,275
	<u>\$ 13,726,284</u>	<u>\$ 2,918,658</u>

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. The Airport received \$1,516,212 in contingent rentals in fiscal year 2006.

The carrying amounts of the leased assets are as follows:

	Airport	Economic Development
Land	\$ 565,901	\$ 2,492,037
Buildings	28,365,271	5,872,273
Less accumulated depreciation	(1,162,864)	(570,887)
Total	<u>\$ 27,768,308</u>	<u>\$ 7,793,423</u>

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**G. Other Assets**

Other assets are comprised of the following:

	Capital Projects Fund	Proprietary Fund
Investment of bond proceeds	\$ 4,325,377	\$ 693,148
Deposits	-	15,000
Bond issuance costs (net of amortization)	-	<u>103,767</u>
Total	<u>\$ 4,325,377</u>	<u>\$ 811,915</u>

**H. Unearned Revenue**

General Fund unearned revenue consists of \$1,534,177 in deferred taxes and \$83,704 of advance deposits. Community Development Block Grant and Other Governmental Funds unearned revenue of \$3,997,562 and \$296,120, respectively, represents future revenue equal to loans made pursuant to the Community Development, Urban Development Action Grants and Economic Incentive Revolving Loan Fund. Under the terms of these grants, loans made are recognized as an expenditure in the Special Revenue Fund when they occur. Further, in accordance with regulations governing such funds, the repayments of such loans are considered program income as received and are available to the recipient for additional use within the program. Proprietary Funds unearned revenue of \$108,520 represents advance deposits.

**I. Long-Term Debt**

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital additions. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund general obligation bonds and extinguish an existing retirement liability. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds.

The original amount of general obligation bonds issued is \$142,925,900. The following is a summary of general obligation bond and note transactions of the City for the fiscal year ended June 30, 2006:

Bonds and notes payable at June 30, 2005	\$ 106,193,307
Add: principal additions	7,183,000
Less: principal repayments	<u>6,591,715</u>
Bonds and notes payable at June 30, 2006	<u>\$ 106,784,592</u>

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

**DETAILED NOTES ON ALL FUNDS, CONTINUED**

Bonds and notes payable at June 30, 2006 are comprised of the following:

	Fiscal year of maturity	Interest rate	Governmental activities		Business-type activities	Total June 30, 2006
			City	School		
Long-term debt:						
Public improvements - 1988	2008	7.37% - 8.60%	\$ -	\$ -	\$ 200,000	\$ 200,000
Treatment Plant	2011	7.00% - 7.10%	-	-	6,650,000	6,650,000
Combined sewer overflow	2014	2.46%	-	-	745,600	745,600
Combined sewer overflow	2014	2.45%	-	-	794,400	794,400
Public improvements - 1996	2016	5.05% - 5.85%	350,000	-	-	350,000
Combined sewer overflow	2017	3.52%	-	-	1,808,618	1,808,618
Tax increment financing note*	2016	6.00% - 6.90%	695,000	-	-	695,000
Public improvements - 1996	2017	5.35% - 6.50%	975,000	-	-	975,000
Combined sewer overflow	2018	3.03%	-	-	1,597,639	1,597,639
Public improvements - 1997	2018	4.875% - 5.3%	2,333,550	2,475,000	1,191,450	6,000,000
Tax increment financing note*	2018	6.19%	220,000	-	-	220,000
Public improvement - 1999	2019	4.20%	1,086,900	-	983,100	2,070,000
Maine Business Enter Park	2018	5.00%	-	-	184,807	184,807
Public improvements - 2000	2020	5.25% - 5.90%	1,115,262	-	1,224,738	2,340,000
Public improvements - 2001	2021	4.25% - 5.00%	1,022,000	166,000	3,347,000	4,535,000
State Revolving Renovation - School	2011	0.00%	-	284,300	-	284,300
Public improvements note*	2012	6.25%	618,590	-	-	618,590
Public improvements - 2002	2022	3.50% - 4.75%	3,722,000	3,600,000	1,483,000	8,805,000
Pension obligation bonds	2026	3.06% - 6.45%	26,019,152	1,651,705	5,539,143	33,210,000
Refunding bonds	2024	3.06% - 3.47%	589,760	2,419,764	4,490,476	7,500,000
Combined sewer overflow	2023	1.94%	-	-	2,598,999	2,598,999
State Revolving Renovation - School	2008	0.00%	-	24,942	-	24,942
Public improvements note*	2012	2.50% - 4.00%	-	-	202,036	202,036
Tax increment financing note*	2015	2.50% - 4.00%	143,088	-	-	143,088
Briggs Building note	2023	6.50%	-	-	1,173,291	1,173,291
Refunding/public improvements - 2004	2023	2.50% - 4.80%	3,512,850	1,150,500	3,031,650	7,695,000
Combined sewer overflow	2024	1.41%	-	-	2,540,282	2,540,282
Public improvements - 2005	2024	3.50% - 4.30%	2,495,000	-	950,000	3,445,000
Airport building sprinklers	2024	3.25% - 5.00%	-	-	2,195,000	2,195,000
Chancellor's property note	2025	5.00%	-	-	2,250,000	2,250,000
Public improvements/refunding	2025	4.00% - 4.20%	4,333,000	-	600,000	4,933,000
Total bonds and notes payable			\$49,231,152	\$11,772,211	\$45,781,229	\$106,784,592

\* Five series of general obligation notes aggregating \$1,878,714 are held by the City's Airport Fund at fixed, taxable market rates of interest. These notes are structured with a put feature, which, upon certain precedent conditions, allows the Airport to present them for redemption to the City's General Fund. It is management's intention, should a put occur, to fund it by passing the note along to its Sewer Fund, where it will be converted to a three to five year fixed note with level debt service, albeit without a put option.

Annual debt service requirements to maturity for general obligation bonds and notes payable are as follows:

Fiscal year ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 4,237,095	\$ 3,082,695	\$ 3,971,277	\$ 1,768,678
2008	3,123,243	2,989,606	4,002,102	1,640,004
2009	3,210,336	2,866,055	3,928,438	1,498,258
2010	3,138,237	2,733,997	3,927,669	1,356,746
2011	2,971,863	2,605,986	3,677,864	1,220,496
2012-2016	15,149,713	10,864,276	12,353,945	4,432,980
2017-2021	14,079,236	6,987,205	8,406,802	2,473,541
2022-2026	15,093,640	2,863,669	5,513,132	796,847
Total	\$61,003,363	\$ 34,993,489	\$ 45,781,229	\$ 15,187,550

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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The City is subject to the laws of the State of Maine, which limits the amount of long-term debt to 15% of the state's assessed valuation of the City. At June 30, 2006, the statutory limit for the City was \$309,495,000. The City's outstanding long-term debt of \$106,784,592 at June 30, 2006 was within the statutory limit.

**Advance and Current Refunding**

In prior years, the City defeased certain general obligation bonds which reduced debt service payments in governmental and business-type funds by \$408,000 and \$302,000, respectively. This transaction placed the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2006, \$1,288,400 and \$3,006,600 of the governmental and business-type activities, respectively, are considered defeased. Within the Proprietary Funds the advance refunding transaction gave rise to a deferred amount on refunding. The deferred amount on refunding is being amortized over the remaining life of the original bonds.

In June 2006, the City issued \$1,265,000 of general obligation bonds for a current refunding of its' 1995 and 1996 issues in the amount of \$1,215,000. The refunding payment occurred in August 2006. The refunding was undertaken to reduce total future debt service payments by \$54,355 over the next 10 years. The final maturity date of the original issue was not extended.

**Authorized and Unissued**

On September 26, 2005, the City Council authorized the issuance of up to \$6,868,831 in general obligations bonds for various purposes. As of June 30, 2006, \$5,400,000 remains authorized and unissued. The unissued amount is comprised of the following projects; \$1,900,000 for construction, demolition, engineering and furniture & fixtures associated with the police stations, \$2,000,000 for the annual combined sewer overflow program, and \$1,500,000 for the construction, demolition, engineering and furnishing of Fire Station 6.

On March 27, 2006, the City Council authorized the issuance of up to \$455,000 in general obligation bonds for the purpose of renovating and rehabilitating property located at 103 Texas Avenue. As of June 30, 2006, \$255,000 remains authorized and unissued. The City expects to issue the debt within the next fiscal year.



**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

**DETAILED NOTES ON ALL FUNDS, CONTINUED**

**Overlapping Debt**

In addition to the bonds and notes payable, the City is contingently responsible for a proportionate share of the following overlapping debt as of June 30, 2006:

<u>Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to the City</u>	<u>City's Share of Debt</u>
General obligation bonds	\$106,784,592	100.00%	\$106,784,592
Penobscot County	263,415	23.64%	62,271
	<u>\$107,048,007</u>		<u>\$106,846,863</u>

This results in a ratio of City and overlapping debt to April 1, 2005 assessed valuation of 5.19%.

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
General obligation debt	\$ 59,419,229	4,333,000	2,748,866	61,003,363	4,237,095
Accrued compensated absences *	1,903,919	1,384,282	1,349,743	1,938,458	1,374,229
Long-term obligation for self insurance	1,993,456	393,614	556,652	1,830,418	607,890
<b>Governmental activities long-term liabilities</b>	<b>\$ 63,316,604</b>	<b>6,110,896</b>	<b>4,655,261</b>	<b>64,772,239</b>	<b>6,219,214</b>
<b>Business type activities:</b>					
General obligation debt	46,774,080	2,850,000	3,842,849	45,781,229	3,971,277
Accrued compensated absences	281,810	368,400	321,873	328,337	328,337
Long-term obligation for self insurance	285,899	42,639	42,639	285,899	137,247
Deferred amount on refunding	(152,570)	-	(46,209)	(106,361)	(37,889)
Other	493,248	6,633	-	499,881	-
<b>Business type activities long-term liabilities</b>	<b>\$ 47,682,467</b>	<b>3,267,672</b>	<b>4,161,152</b>	<b>46,788,985</b>	<b>4,398,972</b>

\* - The liquidation of compensated absences is fully covered within the General Fund

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**J. Fund Balances**

**Permanent Funds**

As of June 30, 2006, the fund balances by purpose were as follows:

	Restricted Nonexpendable Trust Principal	Unrestricted Permanent Funds
Cemetery	\$ 369,024	\$ 4,467
Parks	14,538	67,679
City Missionary	16,511	51,404
Education	44,138	55,830
Aid for Aged Women	43,067	63,848
Other Purposes	30,871	106,994
Total nonmajor permanent funds	<u>\$ 518,149</u>	<u>\$ 350,222</u>

**Dedicated Revenue Funds - Special Revenue Funds**

As of June 30, 2006, the fund balances by purpose were as follows:

Dental Clinic	\$ 108,096
Preservation of Records	127
Adopt a Park	87,673
Park Woods Children	3,942
City Forest	160,430
BFD Imaging	8,075
Park Woods Complex	316,653
USS Maine Monument	13,009
Kenduskeag Stream Trail	4
Skate Park	858
Tricentennial	<u>718</u>
Total dedicated revenue funds	<u>\$ 699,585</u>

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**Designated Fund Balance**

Designated fund balance of the General Fund at June 30, 2006 consists of amounts, which the City intends to use for the following purposes:

Departmental balances carried forward	\$ 107,211
School department – regular	1,492,013
adult education	118,703
reading assessment	21,183
special revenue	139,107
school lunch	44,741
trust and agency	<u>204,589</u>
Total balances carried	<u>2,127,547</u>
Accrued summer teacher payroll	(2,446,897)
Pooled equipment	375,083
Bus equipment	44,064
Fire equipment	119,489
Improvement	436,876
Self insurance	1,830,418
Cameron stadium	126,574
Landfill closure	9,531
Cascade park maintenance	61,032
Demolition	1,348
PEG capital support	105,507
Pickering Square development district	90,513
Parks & Rec Improvement	(191,161)
Amounts due from Bangor Nursing & Rehabilitation Center	217,811
Pension obligation bond savings	290,661
Arbitrage rebate	<u>231,637</u>
	<u>\$ 3,430,033</u>

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**OTHER INFORMATION**

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**A. Risk Management**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters for which the City either carries commercial insurance or is self-insured. The City currently reports all of its risk management activities in the General and Proprietary Funds. Claims expenditure, liabilities and reserves are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

**OTHER INFORMATION, CONTINUED**

The City purchases coverage under a number of commercially available insurance policies such as; commercial general liability, auto, property damage and crime and dishonesty, each with limits and deductibles deemed prudent given the risks, cost of coverage and the City's ability to fund certain types of losses. For those claims covered by commercial insurance, the amount of settlements has not exceeded the coverage for the years ended June 30, 2006, 2005 and 2004. The City is self-insured for its workers' compensation liability. Reserves are actuarially determined each year to assure funding adequacy. In addition, the City purchases excess workers' compensation insurance to limit its financial risk.

At June 30, 2006, the amount of self-insurance liabilities was \$2,116,317. This liability is the City's best estimate based on available information. Changes in the reported liabilities since July 1, 2004 resulted from the following:

	Workers' Compensation	All other self- insured risks	Total
Unpaid claims as of July 1, 2004	\$ 2,462,242	\$ 154,286	\$ 2,616,528
Incurred claims	355,797	-	355,797
Payments	(650,232)	(1,254)	(651,486)
Changes in estimates and other adjustments	(96,205)	54,721	(41,484)
Unpaid claims as of July 1, 2005	2,071,602	207,753	2,279,355
Incurred claims	109,458	-	109,458
Payments	(596,737)	(2,554)	(599,291)
Changes in estimates and other adjustments	317,630	9,165	326,795
Unpaid claims as of June 30, 2006	\$ 1,901,953	\$ 214,364	\$ 2,116,317

**B. Tax Increment Financing Districts**

The City has established tax increment financing districts, all of which dedicate a portion of the incremental increase in real estate and/or personal property tax revenues over staggered twenty year periods for the following purposes:

B.I.A. Municipal Development District No. 1 – Partially financed \$27.5 million dollars of capital expenditures at manufacturing facilities leased by General Electric Company.

Main Street Municipal Development District – Assisted Penobscot Development Limited Liability Company in financing the extraordinary costs of acquisition and environmental remediation of the former Gasworks site on Main Street, ultimately to provide land area necessary for the construction of a 54,000 square foot supermarket in a Community Development project area.

Pickering Square Municipal Development District – Assisted Realty Resources Chartered in a major redevelopment project that converted the former Freese's department store building into affordable housing units.

Downtown Municipal Development District – To partially finance in excess of \$70 million dollars of infrastructure improvements within the boundaries of the district.

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**OTHER INFORMATION, CONTINUED**

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**C. Contingent Liabilities**

In February 1998, the City was served Notification of Potential Liability by the Federal Environmental Protection Agency (EPA) in connection with that agency's efforts to clean up a disposal site. The City is among approximately 500 potentially responsible parties. At this time, the group is in the process of implementing the remedy for the off-site area and continue to negotiate with the EPA for the final remedy of the on-site area. The EPA is expected to issue its second Record of Decision for the site by the end of 2006. It is expected that a final settlement will occur during 2007. At this point it is not possible to estimate the cost of designing and implementing the final remedy.

In 2002, the City filed suit against a potentially responsible party to force cleanup of contamination of the Penobscot River bottom due to the inability to reach settlement. In September of 2005, the U.S. District Court issued an Order finding that the City is responsible for 40% of the remediation costs. In the absence of a settlement, the nature and cost of the remediation, which could range from \$6 - \$14 million, will be determined during in the upcoming year.

The City is a party to various other lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

**D. Retirement**

The City of Bangor provides retirement pensions for its employees through a number of vehicles, including a defined contribution plan, defined benefit pension plan and social security.

**Defined Contribution Plan**

Description of the Plan - The City provides pension benefits for certain employees through a 401(a) defined contribution plan administered by ICMA/RC. In addition certain full-time employees are covered through both a 401 (a) and 457 Deferred Compensation Plans (DCP) also administered by ICMA/RC. In a DCP, benefits depend solely on amounts contributed to the plan plus investment earnings. Covered employees are eligible to participate and are fully vested from the date of employment.

Funding Policy - Plan members not covered by employment contracts are required to contribute 6.5% of their annual covered salary and the City is required to contribute either 8% or 10% depending upon the employee's classification. For fiscal year 2006 covered payroll was \$8,424,406 and City contributions were \$720,407. For those plan members that have employment contracts, the City contributes at various rates from 8% - 15% of annual earnings. The covered payroll and City contributions for those employees with employment contracts approximated \$525,928 and \$57,851 respectively, in fiscal year 2006.

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**OTHER INFORMATION, CONTINUED**

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**Defined Benefit Pension Plan**

Description of the Plan – The City contributes to the Maine State Retirement System Consolidated Plan, a cost sharing multiple-employer retirement system established by the Maine State legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the state legislature. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine State Retirement, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy – Plan members are required to contribute 6.5% of their annual covered salary and the City is required to contribute an actuarially determined rate. The current rate ranges from 2.80% to 6.50% of annual covered payroll. The contribution rates of plan members and the City are established and may be amended by the Maine State Retirement System Board of Trustees. The City's contributions to the Maine State Retirement System Consolidated Plan for the years ended June 30, 2006, 2005, and 2004 were \$701,017, \$692,119, and \$667,705 respectively, equal to the required contributions for each year.

**Teachers Group**

Description of the Plan - All school teachers, plus other qualified educators, participate in the Maine State Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the state legislature. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy – Plan members are required to contribute 7.65% of their compensation to the retirement system. The same statute requires the State of Maine Department of Education, to contribute the employer contribution, which amounts to \$4,553,481 (19.15%) for the fiscal year 2006. This amount has been reported as an intergovernmental revenue and education expenditure in the GAAP basis financial statements. There is no contribution required by the school department except for federally funded teachers, for which they contributed 19.15% of their compensation. This cost is charged to the applicable grant.

**Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**CITY OF BANGOR, MAINE**  
**Notes to Financial Statements, Continued**

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**OTHER INFORMATION, CONTINUED**

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**Social Security**

The City does not have a section 218 agreement to provide full social security coverage to its employees. The City does provide full social security coverage to part-time, seasonal and temporary employees under the Omnibus Budget Reconciliation Act of 1990, and Internal Revenue Service regulations, which became effective July 1, 1991.

**E. Landfill Closure and Postclosure Care Costs**

Closure of the City's Kittredge Road landfill was completed during the fiscal year ended June 30, 2000. Potential postclosure costs have been deemed immaterial, and therefore no liability for these amounts has been accrued. All necessary postclosure costs will be funded from the annual operating budget.

**F. Subsequent Events**

On August 14, 2006, the City Council authorized the issuance of \$655,000 in general obligation bonds for the purpose of funding the City's annual fleet replacement.

The City Charter requires maintaining the City's undesignated/unreserved fund balance at between 5% and 10% of the previous year's expenditures, net of debt service. As policy, the City has targeted 7.5% as a reasonable balance. At June 30, 2006, this balance exceeded the City policy of 7.5% by \$1,722,351. Further City policy prescribes uses for these excess funds, and the Council has been presented with a series of options for the surplus funds. Thus far, Council has appropriated funds from the undesignated/unreserved fund balance in the amount of \$1,000,000 to fund further environmental assessment of the Penobscot river as well as legal costs.

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## **GENERAL FUND**

The General Fund is used to account for resources traditionally associated with the government, which are not required legally or by sound financial management, to be accounted for in another fund.

## CITY OF BANGOR, MAINE

## Balance Sheet

## General Fund

June 30, 2006

**ASSETS**

Cash	\$ 322,587
Investments	10,655,899
Receivables:	
Taxes	1,671,122
Accounts (net of allowance of \$267,648)	855,256
Interfund loans	2,264,233
Intergovernmental	1,478,059
Loans	1,173,291
Inventory, at cost	637,133
Prepaid items	36,299

<b>Total assets</b>	<b>\$ 19,093,879</b>
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**LIABILITIES AND FUND BALANCE**

Liabilities	
Accounts payable	\$ 863,973
Accrued wages and benefits payable	3,594,767
Unearned revenue	1,617,881
<b>Total liabilities</b>	<b>6,076,621</b>

## Fund balance

## Reserved for:

Encumbrances	719,831
Prepaid items	36,299
Advances to other funds	1,432,689

## Unreserved:

Designated (Note J)	3,430,033
Undesignated	7,398,406

<b>Total fund balance</b>	<b>13,017,258</b>
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<b>Total liabilities and fund balance</b>	<b>\$ 19,093,879</b>
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**CITY OF BANGOR, MAINE**  
**Schedule of Revenues, Expenditures and Changes in Undesignated**  
**Fund Balance - Budget and Actual - Budgetary Basis**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Balances			Variance	
	Carried 7/1/2005	Budget	Actual	Surplus	Carried
<b>Revenues</b>					
Taxes					
Real and personal property	\$ -	\$ 40,428,424	\$ 40,481,718	\$ 53,294	\$ -
Change in deferred property tax	-	-	274,570	274,570	-
Tax increment financing district	-	(1,132,337)	(1,064,448)	67,889	-
Payment in lieu of taxes	-	156,500	160,457	3,957	-
Excise	-	4,278,500	4,752,852	474,352	-
Interest on delinquent taxes	-	200,000	185,040	(14,960)	-
Total taxes	-	43,931,087	44,790,189	859,102	-
Intergovernmental					
State revenue sharing	-	3,900,000	4,069,815	169,815	-
School subsidy	-	13,507,418	13,507,418	-	-
Other -					
municipal	-	1,994,792	2,309,535	314,743	-
school	-	3,356,989	3,555,740	-	198,751
Total intergovernmental	-	22,759,199	23,442,508	484,558	198,751
Other revenue					
Licenses and permits	-	451,900	538,534	86,634	-
Charges for service -					
municipal	-	7,012,610	7,631,324	618,714	-
school	-	4,604,854	4,561,352	-	(43,502)
Fines, forfeits and penalties	-	28,650	36,195	7,545	-
Revenue from use of money and property -					
municipal	-	677,623	751,995	74,372	-
Total other	-	12,775,637	13,519,400	787,265	(43,502)
Total revenues	-	79,465,923	81,752,097	2,130,925	155,249

**CITY OF BANGOR, MAINE**  
**Schedule of Revenues, Expenditures and Changes in Undesignated**  
**Fund Balance - Budget and Actual - Budgetary Basis**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Balances		Actual	Variance	
	Carried 7/1/2005	Budget		Surplus	Carried
Expenditures					
General government					
Council	-	46,723	42,223	4,500	-
Executive	-	606,195	650,451	(44,256)	-
Human resources	25,000	94,646	101,895	11,340	6,411
City clerk	-	403,819	417,028	(13,209)	-
Assessing	-	354,972	359,637	(4,665)	-
Legal	-	280,128	272,868	7,260	-
Finance	-	1,361,086	1,360,801	285	-
Insurance	-	133,920	132,033	1,887	-
Planning, econ dev, code enforcement	-	966,389	934,325	32,064	-
Total general government	25,000	4,247,878	4,271,261	(4,794)	6,411
Public safety					
Police	-	6,272,541	6,298,440	(25,899)	-
Fire	-	6,681,942	6,638,900	(53,958)	97,000
Total public safety	-	12,954,483	12,937,340	(79,857)	97,000
Health, welfare and recreation					
Health and welfare	-	2,408,569	2,781,471	(372,902)	-
Parks and recreation	-	1,249,523	1,303,477	(53,954)	-
Total health, welfare and recreation	-	3,658,092	4,084,948	(426,856)	-
Public buildings and services	-	8,946,592	9,023,632	(77,040)	-

**CITY OF BANGOR, MAINE**  
**Schedule of Revenues, Expenditures and Changes in Undesignated**  
**Fund Balance - Budget and Actual - Budgetary Basis**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Balances		Actual	Variance	
	Carried 7/1/2005	Budget		Surplus	Carried
Expenditures, continued					
Other agencies					
County tax	-	2,116,355	2,116,355	-	-
Downtown Development District	-	46,314	46,314	-	-
Public library	-	1,412,477	1,412,477	-	-
Other agencies	-	262,705	258,312	593	3,800
Total other agencies	-	3,837,851	3,833,458	593	3,800
Education					
Regular	2,095,409	36,394,952	36,068,718	-	2,421,643
Adult education	73,008	636,852	528,903	-	180,957
School lunch	63,427	1,180,432	1,128,651	-	115,208
Reading assessment	21,913	10,000	729	-	31,184
Special revenue	275,179	2,372,051	2,652,059	-	(4,829)
Trust and agency	221,183	1,802,898	1,738,742	-	285,339
Total education	2,750,119	42,397,185	42,117,802	-	3,029,502
Other appropriations					
Pensions and other fringe benefits	-	1,776,237	1,748,513	27,724	-
Debt service	-	1,820,315	1,819,984	331	-
Tax increment financing payments	-	358,111	409,742	(51,631)	-
Total other appropriations	-	3,954,663	3,978,239	(23,576)	-
Total expenditures	2,775,119	79,996,744	80,246,680	(611,530)	3,136,713
Excess (deficiency) of revenues over/under expenditures	(2,775,119)	(530,821)	1,505,417	1,519,395	3,291,962

**CITY OF BANGOR, MAINE**  
**Schedule of Revenues, Expenditures and Changes in Undesignated**  
**Fund Balance - Budget and Actual - Budgetary Basis**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Balances			Variance	
	Carried				
	7/1/2005	Budget	Actual	Surplus	Carried
Other financing sources (uses)					
Appropriation from designated fund balance	-	1,727,053	562,639	-	(1,164,414)
Appropriation from undesignated fund balance	-	475,818	-	(475,818)	-
Appropriation to designated fund balance	-	(475,818)	(475,818)	-	-
Sale of assets	-	22,743	46,074	23,331	-
Transfers to other funds	-	(494,435)	(494,435)	-	-
Transfers from other funds	-	8,000	187,303	179,303	-
Operating transfers	-	(732,540)	(732,540)	-	-
Total other financing sources (uses)	-	530,821	(906,777)	(273,184)	(1,164,414)
Net change in fund balance	\$ (2,775,119)	\$ -	\$ 598,640	1,246,211	\$ 2,127,548
Undesignated fund balance, beginning of year				6,152,195	
Undesignated fund balance, end of year				\$ 7,398,406	

# **NONMAJOR GOVERNMENTAL FUNDS**

## **Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Other HUD Funds – This is used to account for 1) federal grants obtained and expended under the Housing and Community Development Act of 1974, as amended, for the redevelopment of the downtown commercial core of the City and 2) low interest loans to businesses within the City of Bangor for establishment, expansion or redevelopment purposes.

Grant Fund – Accounts for federal and state grants that are legally restricted to expenditures allowable by the grantor agency.

Dedicated Revenue Funds - Accounts for amounts raised or donated to benefit various governmental programs such as; the Dental Clinic, local parks, City forest and Park Woods complex.

Other Funds – Accounts for funds held to be used in future periods such as tax financing district repayments and other community funds for capital expenditures relating to the operation of the area transportation system

## **Permanent Fund**

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

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**CITY OF BANGOR, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2006**

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>			
Cash	\$ 127,447	\$ -	\$ 127,447
Investments	276,467	106,897	383,364
Receivables:			
Loans	1,677,748	895,628	2,573,376
Interfund loans	144,090	-	144,090
Intergovernmental	269,298	-	269,298
<b>Total assets</b>	<b>\$ 2,495,050</b>	<b>\$ 1,002,525</b>	<b>\$ 3,497,575</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 66,244	\$ -	\$ 66,244
Unearned revenue	296,120	-	296,120
Interfund loans	473,068	-	473,068
<b>Total liabilities</b>	<b>835,432</b>	<b>-</b>	<b>835,432</b>
<b>Fund balances</b>			
Reserved for:			
Encumbrance	628	-	628
Principal	-	652,303	652,303
Unreserved, undesignated	1,658,990	350,222	2,009,212
<b>Total fund balances</b>	<b>1,659,618</b>	<b>1,002,525</b>	<b>2,662,143</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,495,050</b>	<b>\$ 1,002,525</b>	<b>\$ 3,497,575</b>

**CITY OF BANGOR, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2006**

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
<b>Revenues</b>			
Taxes	\$ 1,064,448	\$ -	\$ 1,064,448
Intergovernmental	4,264,208	-	4,264,208
Charges for services	560,280	-	560,280
Program income	319,773	-	319,773
Revenue from use of money and property	53,117	-	53,117
Other revenue	53,209	3,450	56,659
Interest revenue	-	16,572	16,572
Total revenues	6,315,035	20,022	6,335,057
<b>Expenditures</b>			
Current:			
Personnel	435,342	-	435,342
Equipment	33,320	-	33,320
Payments to beneficiaries	1,229,778	-	1,229,778
Other	2,695,526	-	2,695,526
Bus operations	1,644,210	-	1,644,210
Program expenditures	-	3,774	3,774
Total expenditures	6,038,176	3,774	6,041,950
Excess (deficiency) of revenues over (under) expenditures	276,859	16,248	293,107
<b>Other financing sources (uses)</b>			
Transfer to other funds	(501,484)	(30,500)	(531,984)
Transfer from other funds	5,269	859	6,128
Total other financing sources (uses)	(496,215)	(29,641)	(525,856)
Net change in fund balances	(219,356)	(13,393)	(232,749)
Fund balances, beginning of year	1,878,974	1,015,918	2,894,892
Fund balances, end of year	\$ 1,659,618	\$ 1,002,525	\$ 2,662,143

**CITY OF BANGOR, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2006**

	Other HUD Funds	Grant Fund	Dedicated Revenue Funds	Other	Totals 2006
<b>ASSETS</b>					
Cash	\$ 127,447	\$ -	\$ -	\$ -	127,447
Investments	-	-	-	276,467	276,467
Receivables:					
Loans	296,120	-	699,585	682,043	1,677,748
Interfund loans	144,090	-	-	-	144,090
Intergovernmental	-	269,298	-	-	269,298
<b>Total assets</b>	<b>\$ 567,657</b>	<b>\$ 269,298</b>	<b>\$ 699,585</b>	<b>\$ 958,510</b>	<b>\$ 2,495,050</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 64,734	\$ -	\$ 1,510	\$ 66,244
Unearned revenue	296,120	-	-	-	296,120
Interfund loans payable	-	144,090	-	328,978	473,068
<b>Total liabilities</b>	<b>296,120</b>	<b>208,824</b>	<b>-</b>	<b>330,488</b>	<b>835,432</b>
<b>Fund balances</b>					
Reserved for:					
Encumbrances	-	628	-	-	628
Unreserved:					
Undesignated	271,537	59,846	699,585	628,022	1,658,990
<b>Total fund balances</b>	<b>271,537</b>	<b>60,474</b>	<b>699,585</b>	<b>628,022</b>	<b>1,659,618</b>
<b>Total liabilities and fund balances</b>	<b>\$ 567,657</b>	<b>\$ 269,298</b>	<b>\$ 699,585</b>	<b>\$ 958,510</b>	<b>\$ 2,495,050</b>

**CITY OF BANGOR, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2006**

	Other HUD Funds	Grant Fund	Dedicated Revenue Funds	Other	Totals 2006
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ 1,064,448	\$ 1,064,448
Intergovernmental	-	4,264,208	-	-	4,264,208
Charges for services	-	560,280	-	-	560,280
Program income	319,773	-	-	-	319,773
Revenue from use of money and property	10,267	-	8,678	34,172	53,117
Contributions	-	-	40,775	12,434	53,209
Total revenues	330,040	4,824,488	49,453	1,111,054	6,315,035
<b>Expenditures</b>					
Personnel	-	435,342	-	-	435,342
Equipment	-	33,320	-	-	33,320
Payments to beneficiaries	135,609	-	697	1,093,472	1,229,778
Other	1,476	2,671,898	-	22,152	2,695,526
Bus operations	-	1,644,210	-	-	1,644,210
Total expenditures	137,085	4,784,770	697	1,115,624	6,038,176
Excess (deficiency) of revenues over (under) expenditures	192,955	39,718	48,756	(4,570)	276,859
<b>Other financing sources (uses)</b>					
Transfers to other funds	(300,000)	-	(194,484)	(7,000)	(501,484)
Transfers from other funds	-	5,000	269	-	5,269
Total other financing sources (uses)	(300,000)	5,000	(194,215)	(7,000)	(496,215)
Net change in fund balances	(107,045)	44,718	(145,459)	(11,570)	(219,356)
Fund balances, beginning of year	378,582	15,756	845,044	639,592	1,878,974
Fund balances, end of year	\$ 271,537	\$ 60,474	\$ 699,585	\$ 628,022	\$ 1,659,618

**CITY OF BANGOR, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Permanent Funds**  
**June 30, 2006**

		Other Funds	Revolving Loan Funds	Totals
<b>ASSETS</b>				
Investments	\$	-	\$ 106,897	\$ 106,897
Loans receivable		868,371	27,257	895,628
<b>Total assets</b>	<b>\$</b>	<b>868,371</b>	<b>\$ 134,154</b>	<b>\$ 1,002,525</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
<b>Total liabilities</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balances</b>				
Principal		518,149	134,154	652,303
Unexpended income		350,222	-	350,222
<b>Total fund balances</b>		<b>868,371</b>	<b>134,154</b>	<b>1,002,525</b>
<b>Total liabilities and and fund balances</b>	<b>\$</b>	<b>868,371</b>	<b>\$ 134,154</b>	<b>\$ 1,002,525</b>

**CITY OF BANGOR, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Permanent Funds**  
**For the Fiscal Year Ended June 30, 2006**

	Other Funds	Revolving Loan Funds	Totals
Revenues			
Investment income	\$ 10,767	\$ 5,805	\$ 16,572
Lot sales	3,450	-	3,450
Total revenues	14,217	5,805	20,022
Expenditures			
Current:			
Payments to beneficiaries	364	2,400	2,764
Other miscellaneous	-	1,010	1,010
Total expenditures	364	3,410	3,774
Other financing sources (uses)			
Transfer to other funds	(30,500)	-	(30,500)
Transfer from other funds	859	-	859
Total financing sources (uses)	(29,641)	-	(29,641)
Net change in fund balances	(15,788)	2,395	(13,393)
Fund balances, beginning of year	884,159	131,759	1,015,918
Fund balances, end of year	\$ 868,371	\$ 134,154	\$ 1,002,525

## **ENTERPRISE FUNDS**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the government is to have the costs of providing goods or services to the general public financed or recovered primarily through user charges. The government has decided that periodic determination of net income is appropriate for accountability purposes.

**Sewer Utility Fund** – This fund accounts for the costs of construction and operation of the Sewage Treatment Plant, the City sewer system, and sewer operation activities, and is self-supported through sewer user fees.

**Airport Fund** – This fund accounts for the operation of Bangor International Airport. The principal sources of revenues are landing fees and the sale of aviation fuel. Other revenue sources include lease payments for the use of terminal space and non-aviation industrial buildings.

**Park Woods** – This fund accounts for the rental of 60 units of surplus housing received from the federal government pursuant to the McKinney Homeless Assistance Act. The principal source of revenue is rental income.

**Parking Fund** – This fund accounts for the operation of the City-owned parking lots and the Pickering Square garage. Revenue sources include monthly lease payments for parking spaces, hourly/daily parking fees, and fines and waiver fees for parking violations. Certain of these facilities are operated under a private management contract.

**Bass Park Fund** – This fund accounts for the operation of the Bangor auditorium, Bangor Civic Center, and Bangor State Fair. Principal sources of revenue are admissions, concession sales, and rentals. The fund is named after the Bass family, which bequeathed the property to the City for recreational purposes.

**Municipal Golf Course** – This fund accounts for the operation of a 27 hole municipal golf course. Principal revenue sources are season memberships and daily green fees.

**Economic Development Fund** – This fund accounts for the operation and development of properties acquired by the City. Its purpose is to promote economic growth within the City. The principal source of revenue is rental income.

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**CITY OF BANGOR, MAINE**  
**Schedule of Revenues, Expenditures and Encumbrances**  
**Budget and Actual - Budgetary Basis**  
**Sewer Utility Fund - Enterprise Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Charges for services	\$ 6,135,900	\$ 6,188,273	\$ 52,373
Interest and other revenue	1,161,599	75,375	(1,086,224)
Total revenues	7,297,499	6,263,648	(1,033,851)
<b>Expenditures and encumbrances</b>			
Salaries	955,368	955,633	(265)
Fringe benefits	259,843	249,337	10,506
Supplies and materials	1,016,292	860,630	155,662
Contractual services	614,971	597,420	17,551
Interfund charges	521,291	549,806	(28,515)
Miscellaneous	17,700	11,513	6,187
Debt service	3,705,089	3,661,111	43,978
Depreciation	1,598,795	1,423,218	175,577
Outlay	206,945	40,160	166,785
Total expenditures and encumbrances	8,896,294	8,348,828	547,466
<b>Excess (deficiency) of revenues over/under expenditures and encumbrances</b>	<b>\$ (1,598,795)</b>	<b>\$ (2,085,180)</b>	<b>\$ (486,385)</b>

**CITY OF BANGOR, MAINE**  
**Schedule of Revenues, Expenditures and Encumbrances**  
**Budget and Actual - Budgetary Basis**  
**Airport Fund - Enterprise Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Charges for services	\$ 11,034,550	\$ 12,074,504	\$ 1,039,954
Interest and other revenue	636,228	1,003,758	367,530
Total revenues	11,670,778	13,078,262	1,407,484
<b>Expenditures and encumbrances</b>			
Salaries	4,174,174	4,144,343	29,831
Fringe benefits	934,954	813,881	121,073
Supplies and materials	1,734,050	2,064,399	(330,349)
Contractual services	1,931,380	1,701,134	230,246
Interfund charges	582,900	700,160	(117,260)
Miscellaneous	86,800	136,111	(49,311)
Debt service	882,299	882,173	126
Depreciation	6,228,000	6,613,306	(385,306)
Outlay	1,267,400	545,519	721,881
Credits	(8,000)	(26,279)	18,279
Total expenditures and encumbrances	17,813,957	17,574,747	239,210
Excess (deficiency) of revenues over/under			
Expenditures and encumbrances			
and encumbrances	\$ (6,143,179)	\$ (4,496,485)	\$ 1,646,694

**CITY OF BANGOR, MAINE**  
**Schedule of Revenues, Expenditures and Encumbrances**  
**Budget and Actual - Budgetary Basis**  
**Park Woods - Enterprise Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Charges for services	\$ 296,102	\$ 287,452	\$ (8,650)
Operating transfer	28,009	28,009	-
Interest and other revenue	-	417	417
<b>Total revenues</b>	<b>324,111</b>	<b>315,878</b>	<b>(8,233)</b>
<b>Expenditures and encumbrances</b>			
Salaries	61,990	63,156	(1,166)
Fringe benefits	11,991	11,364	627
Supplies and materials	114,750	138,279	(23,529)
Contractual services	130,560	144,915	(14,355)
Interfund charges	4,570	5,689	(1,119)
Miscellaneous	-	50	(50)
Depreciation	89,123	89,123	-
Outlay	250	295	(45)
<b>Total expenditures and encumbrances</b>	<b>413,234</b>	<b>452,871</b>	<b>(39,637)</b>
<b>Excess (deficiency) of revenues over/under expenditures and encumbrances</b>	<b>\$ (89,123)</b>	<b>\$ (136,993)</b>	<b>\$ (47,870)</b>

**CITY OF BANGOR, MAINE**  
**Schedule of Revenues, Expenditures and Encumbrances**  
**Budget and Actual - Budgetary Basis**  
**Parking Fund - Enterprise Fund**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Charges for services	\$ 958,000	\$ 957,781	\$ (219)
Operating transfer	310,268	310,268	-
Interest and other revenue	-	7,806	7,806
Total revenues	1,268,268	1,275,855	7,587
<b>Expenditures and encumbrances</b>			
Salaries	153,374	158,689	(5,315)
Fringe benefits	36,547	34,230	2,317
Supplies and materials	6,450	4,257	2,193
Contractual services	326,970	317,954	9,016
Interfund charges	88,000	86,705	1,295
Debt service	655,383	655,383	-
Depreciation	478,381	478,381	-
Outlay	1,544	2,135	(591)
Total expenditures and encumbrances	1,746,649	1,737,734	8,915
<b>Excess (deficiency) of revenues over/under expenditures and encumbrances</b>	<b>\$ (478,381)</b>	<b>\$ (461,879)</b>	<b>\$ 16,502</b>

**CITY OF BANGOR, MAINE**  
**Schedule of Revenues, Expenditures and Encumbrances**  
**Budget and Actual - Budgetary Basis**  
**Bass Park Fund - Enterprise Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Charges for services	\$ 1,320,300	\$ 1,460,931	\$ 140,631
Operating transfer	452,772	452,772	-
Interest and other revenue	-	1,142	1,142
Total revenues	1,773,072	1,914,845	141,773
<b>Expenditures and encumbrances</b>			
Salaries	640,028	653,085	(13,057)
Fringe benefits	125,061	135,101	(10,040)
Supplies and materials	249,200	315,160	(65,960)
Contractual services	380,870	404,465	(23,595)
Interfund charges	125,525	150,429	(24,904)
Miscellaneous	65,000	59,929	5,071
Debt service	197,388	198,837	(1,449)
Depreciation	176,175	88,436	87,739
Credits	(10,000)	-	(10,000)
Total expenditures and encumbrances	1,949,247	2,005,442	(56,195)
Excess (deficiency) of revenues over/under			
Expenditures and encumbrances	\$ (176,175)	\$ (90,597)	\$ 85,578

**CITY OF BANGOR, MAINE**  
**Schedule of Revenues, Expenditures and Encumbrances**  
**Budget and Actual - Budgetary Basis**  
**Municipal Golf Course - Enterprise Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Charges for services	\$ 663,000	\$ 604,365	\$ (58,635)
Interest and other revenue	12,000	35,610	23,610
Total revenues	675,000	639,975	(35,025)
<b>Expenditures and encumbrances</b>			
Salaries	243,374	248,490	(5,116)
Fringe benefits	44,210	43,595	615
Supplies and materials	62,340	72,773	(10,433)
Contractual services	71,500	54,934	16,566
Interfund charges	150,966	61,801	89,165
Debt service	6,610	6,610	-
Depreciation	98,221	100,099	(1,878)
Outlay	96,000	92,400	3,600
Total expenditures and encumbrances	773,221	680,702	92,519
<b>Excess (deficiency) of revenues over expenditures</b>			
Expenditures and encumbrances	\$ (98,221)	\$ (40,727)	\$ 57,494
expenditures and encumbrances			

**CITY OF BANGOR, MAINE**  
**Schedule of Revenues, Expenditures and Encumbrances**  
**Budget and Actual - Budgetary Basis**  
**Economic Development Fund - Enterprise Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Charges for services	\$ 240,993	\$ 331,541	\$ 90,548
Interest and other revenue	48,473	39,473	(9,000)
<b>Total revenues</b>	<b>289,466</b>	<b>371,014</b>	<b>81,548</b>
<b>Expenditures and encumbrances</b>			
Supplies and materials	29,311	31,167	(1,856)
Contractual services	44,330	145,656	(101,326)
Interfund charges	-	2,903	(2,903)
Miscellaneous	2,415	2,338	77
Debt service	222,927	222,929	(2)
Depreciation	110,895	151,371	(40,476)
Outlay	65,000	73,971	(8,971)
<b>Total expenditures and encumbrances</b>	<b>474,878</b>	<b>630,335</b>	<b>(155,457)</b>
<b>Excess (deficiency) of revenues over expenditures and encumbrances</b>	<b>\$ (185,412)</b>	<b>\$ (259,321)</b>	<b>\$ (73,909)</b>
<b>Excess (deficiency) of revenues over/under expenditures and encumbrances</b>			

## **FIDUCIARY FUNDS**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others.

Agency Funds – Agency Funds are used to account for situations where the City's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.



**CITY OF BANGOR, MAINE**  
**Statement of Change in Assets and Liabilities**  
**Agency Fund**  
**For the Fiscal Year Ended June 30, 2006**

		Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<b>ASSETS</b>					
American Folk Festival funds	\$	145,769	598,751	722,293	22,227
Bangor Area Stormwater Group		-	5,734	-	5,734
School Activity Funds		-	358,091	270,292	87,799
<b>Total assets</b>	<b>\$</b>	<b>145,769</b>	<b>962,576</b>	<b>992,585</b>	<b>115,760</b>
<b>LIABILITIES</b>					
Funds held for American Folk Festival	\$	145,769	598,751	722,293	22,227
Funds held for Bangor Area Stormwater Group		-	5,734	-	5,734
Funds held for School Activity Funds		-	358,091	270,292	87,799
<b>Total liabilities</b>	<b>\$</b>	<b>145,769</b>	<b>962,576</b>	<b>992,585</b>	<b>115,760</b>

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**CAPITAL ASSETS USED  
IN THE OPERATION  
OF GOVERNMENTAL FUNDS**

CITY OF BIRMINGHAM

1999

**CITY OF BANGOR, MAINE**  
**Capital Assets Used in the Operation of Governmental Funds**  
**(net of accumulated depreciation)**  
**Schedule of Changes by Function and Activity**  
**For the Fiscal Year Ended June 30, 2006**

Function and Activity	Balance 2005	Additions	Deletions	Balance 2006
General government				
Animal control	\$ 5,138	\$ -	\$ 1,469	\$ 3,669
BAT community connector	1,394,191	257,425	598,722	1,052,894
Central service	36,537	-	3,846	32,691
City clerk	13,193	30,604	1,389	42,408
City hall	353,855	195,066	34,635	514,286
Community and economic development	3,717,540	5,229,548	4,230,371	4,716,717
Engineering	39,549	29,910	17,410	52,049
Information services	586,798	45,411	87,904	544,305
Legal	8,470	-	2,420	6,050
Motor pool	3,399,920	1,057,489	552,976	3,904,433
Other - unclassified	773,896	-	74,525	699,371
Total general government	10,329,087	6,845,453	5,605,667	11,568,873
Public safety				
Fire	2,137,445	1,061,038	542,246	2,656,237
Police	2,888,368	5,273,697	550,019	7,612,046
Total public safety	5,025,813	6,334,735	1,092,265	10,268,283
Health, welfare and recreation				
Health and welfare	-	-	-	-
Parks and recreation	3,392,811	-	555,881	2,836,930
Total health, welfare and recreation	3,392,811	-	555,881	2,836,930
Public building and services				
Public works	20,247,851	2,326,028	3,556,822	19,017,057
Total public buildings and services	20,247,851	2,326,028	3,556,822	19,017,057
Education	28,246,970	876,659	1,194,189	27,929,440
Total governmental fund capital assets	\$ 67,242,532	\$ 16,382,875	\$ 12,004,824	\$ 71,620,583

## OTHER INFORMATION

1. The following information is for informational purposes only and is not intended to be used for any other purpose.

2. The following information is for informational purposes only and is not intended to be used for any other purpose.

**CITY OF BANGOR, MAINE**  
**Assessed Valuation, Commitment and Collections**  
**For the Fiscal Year Ended June 30, 2006**

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**VALUATION**

Land and buildings	\$ 1,738,078,800
Land and buildings - Homestead exemption	67,372,300
Personal property	<u>254,225,800</u>
Total valuation	<u><u>\$ 2,059,676,900</u></u>

**COMMITMENT**

Real estate and personal property (excludes Homestead exemption)	\$ 1,992,304,600
Tax rate	<u>0.02040</u>
Total commitment	40,643,014

**ADD**

Supplemental taxes committed	<u>456,976</u>
	41,099,990

**LESS**

Collections 2006	39,716,755
Abatements	<u>632,397</u>
2006 taxes receivable at June 30, 2006	<u><u>\$ 750,838</u></u>

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**CITY OF BANGOR, MAINE**  
**Undesignated Fund Balance Sufficiency Calculation**  
**For the Fiscal Year Ended June 30, 2006**

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It is the policy of the City to maintain an undesignated fund balance approximately 7.5% of operating expenditures. The following table sets forth the calculation as to the sufficiency of the June 30, 2006 undesignated fund balance.

General Fund expenditures/uses ( Schedule A-2)

General government	\$ 4,271,261
Public safety	12,937,340
Health, welfare and recreation	4,084,948
Public buildings and services	9,023,632
Other agencies	3,833,458
Education	42,117,802
Other appropriations	3,978,239
Other uses, gross*	<u>1,226,975</u>
Gross expenditures and uses	81,473,655
General Fund debt service	<u>5,792,919</u>
Net expenditures and uses	<u>\$ 75,680,736</u>
Indicated undesignated fund balance @ 7.5%	\$ 5,676,055
Actual undesignated fund balance (Schedule A-2)	\$ 7,398,406
Actual undesignated fund balance as a percentage of net expenditures and uses	9.78%
Over (under) funded status	<u>\$ 1,722,351</u>

\* excludes amounts appropriated from undesignated fund balance

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# STATISTICAL SECTION

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Table 1

**CITY OF BANGOR, MAINE**  
**Net Assets by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 33,261,947	\$ 36,123,882	\$ 41,904,750	\$ 44,381,677
Restricted	507,743	510,433	513,851	1,002,525
Unrestricted	(14,135,504)	(14,712,973)	(15,921,621)	(17,203,344)
Total governmental activities net assets	19,634,186	21,921,342	26,496,980	28,180,858
Business-type activities:				
Invested in capital assets, net of related debt	147,970,359	146,349,268	150,851,663	153,375,606
Restricted	-	-	-	-
Unrestricted	21,472,443	22,965,554	21,824,759	17,691,244
Total business-type activities net assets	169,442,802	169,314,822	172,676,422	171,066,850
Primary government:				
Invested in capital assets, net of related debt	181,232,306	182,473,150	192,756,413	197,757,283
Restricted	507,743	510,433	513,851	1,002,525
Unrestricted	7,336,939	8,252,581	5,903,138	487,900
Total primary government net assets	\$ 189,076,988	\$ 191,236,164	\$ 199,173,402	\$ 199,247,708

Only four years have been presented because 2003 was the year GASB Statement No. 34 was implemented.

Table 2

**CITY OF BANGOR, MAINE**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities:				
General government	\$ 6,060,687	\$ 6,487,572	\$ 6,435,386	\$ 6,947,106
Public safety	11,114,804	12,066,567	12,478,326	12,890,750
Health, welfare and recreation	3,340,989	3,606,827	4,000,249	7,301,546
Public building and services	7,050,085	7,360,360	7,609,989	8,256,266
Other agencies	3,322,395	3,273,003	3,514,658	3,610,935
Education	40,828,756	40,279,055	42,659,395	45,522,795
Unclassified	2,044,069	389,598	65,639	947,025
Restricted grants*	6,551,455	6,857,039	7,326,307	-
Community development*	-	-	-	2,419,594
Streets/Sidewalks*	-	-	-	2,911,131
Waterfront*	-	-	-	990,961
Public transportation*	-	-	-	1,798,968
Tax increment financing*	-	-	-	1,092,770
Interest on debt	740,077	3,083,447	3,166,250	3,098,248
Capital maintenance expenses*	1,824,489	2,666,118	1,674,034	-
Total governmental activities expenses	82,877,806	86,069,586	88,930,233	97,788,095
Business-type activities:				
Sewer Utility	5,744,275	5,751,710	5,859,588	5,818,127
Airport	14,489,128	15,060,963	16,368,681	16,947,056
Park Woods	449,873	531,986	598,854	540,207
Parking	1,370,737	1,431,983	1,425,508	1,322,138
Bass Park	1,944,718	1,935,653	1,889,215	1,918,111
Municipal Golf Course	575,408	626,739	592,323	647,499
Economic Development	271,047	338,795	397,881	484,264
Total business-type activities expenses	24,845,186	25,677,829	27,132,050	27,677,402
Total primary government expenses	\$ 107,722,992	\$ 111,747,415	\$ 116,062,283	\$ 125,465,497

Only four years have been presented because 2003 was the year GASB Statement No. 34 was implemented.

\* - Amounts previously reported as restricted grants and capital maintenance expenses have been classified into new functions beginning in 2006.

Table 2 (con't)

**CITY OF BANGOR, MAINE**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year			
	2003	2004	2005	2006
<b>Program Revenues</b>				
Governmental activities:				
Charges for services				
General government	\$ 934,540	\$ 1,103,382	\$ 1,447,058	\$ 1,672,854
Public safety	1,446,942	1,923,804	1,908,000	2,471,220
Health, welfare and recreation	647,709	624,778	674,364	756,207
Public buildings and services	3,043,886	3,537,702	3,766,334	4,076,981
Education	3,742,385	3,857,798	4,549,286	4,561,352
Unclassified	26,830	19,719	20,036	859,682
Restricted grants	5,392,472	1,368,366	1,079,690	-
Community development	-	-	-	672,459
Public transportation	-	-	-	536,491
Operating grants and contributions	21,566,478	24,743,028	25,986,614	29,577,430
Capital grants and contributions	3,814,705	2,098,577	4,117,072	3,788,485
Total governmental activities program revenues	40,615,947	39,277,154	43,548,454	48,973,161
Business-type activities:				
Charges for services				
Sewer Utility	6,569,790	6,281,870	5,970,615	6,206,605
Airport	9,291,513	11,398,518	11,527,061	12,074,504
Park Woods	283,052	279,588	310,389	287,452
Parking	807,645	892,820	943,990	963,697
Bass Park	1,362,054	1,253,421	1,238,707	1,460,931
Municipal Golf Course	623,233	595,852	586,956	604,365
Economic Development	388,165	316,062	433,694	391,658
Capital grants and contributions	11,274,222	3,376,637	7,749,367	2,581,874
Total business-type activities program revenues	30,599,674	24,394,768	28,760,779	24,571,086
Total primary government program revenues	\$ 71,215,621	\$ 63,671,922	\$ 72,309,233	\$ 73,544,247

Only four years have been presented because 2003 was the year GASB Statement No. 34 was implemented.

**CITY OF BANGOR, MAINE**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year			
	2003	2004	2005	2006
<b>Net (expense)/revenue</b>				
Governmental activities	\$ (42,261,859)	\$ (46,792,432)	\$ (45,381,779)	\$ (48,814,934)
Business-type activities	5,754,488	(1,283,061)	1,628,729	(3,106,316)
<b>Total primary government expense</b>	<b>(36,507,371)</b>	<b>(48,075,493)</b>	<b>(43,753,050)</b>	<b>(51,921,250)</b>
<b>General revenues and other changes in net assets</b>				
Governmental activities:				
Property taxes	37,624,392	39,936,976	40,302,810	40,666,758
Payment in lieu of taxes	113,575	135,000	186,500	160,457
Excise taxes	4,091,505	4,306,055	4,358,409	4,752,852
Franchise taxes	233,874	225,224	265,598	274,986
Unrestricted grants and contributions	4,059,770	4,512,720	4,487,931	4,773,082
Unrestricted investment earnings	377,113	296,857	519,225	699,417
Indirect cost charges	557,165	483,439	472,056	-
Miscellaneous	598,515	131,733	8,353	32,550
Transfers	(798,618)	(948,416)	(837,806)	(861,290)
<b>Total governmental activities</b>	<b>46,857,291</b>	<b>49,079,588</b>	<b>49,763,076</b>	<b>50,498,812</b>
Business-type activities:				
Unrestricted investment earnings	1,097,155	206,665	895,064	635,454
Transfers	798,618	948,416	837,806	861,290
<b>Total business-type activities</b>	<b>1,895,773</b>	<b>1,155,081</b>	<b>1,732,870</b>	<b>1,496,744</b>
<b>Total primary government</b>	<b>48,753,064</b>	<b>50,234,669</b>	<b>51,495,946</b>	<b>51,995,556</b>
<b>Change in net assets</b>				
Governmental activities	4,595,432	2,287,156	4,381,297	1,683,878
Business-type activities	7,650,261	(127,980)	3,361,599	(1,609,572)
<b>Total primary government</b>	<b>\$ 12,245,693</b>	<b>\$ 2,159,176</b>	<b>\$ 7,742,896</b>	<b>\$ 74,306</b>

Only four years have been presented because 2003 was the year GASB Statement No. 34 was implemented.

Table 3

**CITY OF BANGOR, MAINE**  
**Governmental Activities Tax Revenues By Source**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year			
	2003	2004	2005	2006
<b>Tax Revenues</b>				
Property taxes	\$ 37,624,392	\$ 39,936,976	\$ 40,302,810	\$ 40,666,758
Excise taxes	4,091,505	4,306,055	4,358,409	4,752,852
Franchise taxes	233,874	225,224	265,598	274,986
<b>Total tax revenues</b>	<b>\$ 41,949,771</b>	<b>\$ 44,468,255</b>	<b>\$ 44,926,817</b>	<b>\$ 45,694,596</b>

Only four years have been presented because 2003 was the year GASB Statement No. 34 was implemented.

Table 4

**CITY OF BANGOR, MAINE**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>General Fund:</b>										
Reserved	\$ 207,440	\$ 2,428,610	\$ 3,388,936	\$ 2,907,605	\$ 2,314,524	\$ 2,204,855	\$ 2,692,524	\$ 2,571,692	\$ 2,571,692	\$ 2,188,819
Unreserved	7,686,795	6,603,821	7,777,318	10,868,363	13,022,113	15,412,411	14,575,433	11,184,543	11,184,543	10,828,439
Total general fund	\$ 7,894,235	\$ 9,032,431	\$ 11,166,254	\$ 13,775,968	\$ 15,336,637	\$ 17,617,266	\$ 17,267,957	\$ 13,756,235	\$ 13,756,235	\$ 13,017,258
<b>All other governmental funds:</b>										
Reserved	\$ 1,363,744	\$ 1,086,210	\$ 967,921	\$ 969,162	\$ 1,143,738	\$ 1,836,653	\$ 5,229,243	\$ 2,599,271	\$ 2,599,271	\$ 3,832,469
Unreserved, reported in										
Special revenue funds	(87,381)	9,276	(259,601)	(315,560)	(346,598)	1,029,775	2,080,184	1,997,434	1,997,434	2,215,929
Capital projects funds	1,260,018	1,524,200	968,763	1,173,695	538,858	4,622,212	(488,844)	4,211,800	4,211,800	925,634
Permanent funds	441,518	465,780	555,634	864,739	812,694	539,666	500,558	424,802	424,802	350,222
Total all other governmental funds	\$ 2,977,899	\$ 3,085,466	\$ 2,232,717	\$ 2,692,036	\$ 2,148,692	\$ 8,028,306	\$ 7,321,141	\$ 9,233,307	\$ 9,233,307	\$ 7,324,234



Table 5

**CITY OF BANGOR, MAINE**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year			
	2003	2004	2005	2006
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 39,261,141	\$ 39,774,952	\$ 40,586,129	\$ 41,101,785
Excise taxes	4,091,505	4,306,055	4,358,409	4,752,852
Total tax revenues	43,352,646	44,081,007	44,944,538	45,854,637
Intergovernmental	30,627,927	31,617,135	34,484,238	37,714,682
Licenses and permits	409,842	374,499	655,745	538,534
Charges for services	10,151,637	11,035,587	12,160,573	12,927,989
Program income	583,569	463,066	409,153	663,269
Revenue from money and property	1,420,582	1,162,796	1,255,959	2,349,812
Other	1,612,518	142,311	168,452	526,360
Total revenues	88,158,721	88,876,401	94,078,658	100,575,283
<b>Expenditures:</b>				
General government	4,223,670	4,619,401	4,732,331	4,642,935
Public safety	11,018,419	12,001,813	12,352,418	12,852,119
Health, welfare and recreation	3,230,938	3,480,885	3,865,578	4,084,948
Public buildings and services	7,876,895	8,180,067	8,301,848	8,991,673
Other agencies	3,157,861	3,273,003	3,514,658	3,610,935
Education	39,428,576	40,341,426	42,228,691	44,817,879
Unclassified	327,812	389,598	65,639	263,702
Restricted grants	6,510,909	6,822,298	7,282,380	8,248,872
Capital outlay	8,794,651	10,675,201	8,681,772	11,762,832
Debt service				
Principal	5,730,088	2,232,944	4,110,250	2,748,866
Interest	3,299,332	3,080,468	3,120,028	3,098,248
Other charges	10,028	5,570	37,467	5,070
Total expenditures	93,609,179	95,102,674	98,293,060	105,128,079
Deficiency of revenues over expenditures	(5,450,458)	(6,226,273)	(4,214,402)	(4,552,796)
<b>Other financing sources/(uses)</b>				
General obligation debt	4,397,511	5,443,400	2,650,000	4,333,000
Sale of assets	232,259	131,773	106,895	120,479
Transfers to other funds	(3,663,860)	(5,369,448)	(3,131,050)	(3,099,137)
Transfers from other funds	2,865,242	4,421,032	2,293,244	2,237,847
Total other financing sources	3,831,152	4,626,757	1,919,089	3,592,189
Net change in fund balances	\$ (1,619,306)	\$ (1,599,516)	\$ (2,295,313)	\$ (960,607)
Debt service as a percentage of noncapital expenditures	11.17%	6.30%	8.27%	6.08%

Only four years have been presented because 2003 was the year GASB Statement No. 34 was implemented.

Table 6

**CITY OF BANGOR, MAINE**  
**Assessed Value and Estimated Actual Value of Taxable Property\***  
**Last Ten Fiscal Years**

Fiscal Year	Real Property		Personal Property <sup>1</sup>	Total Taxable Assessed Value	Total Direct Tax Rate
	Estimated Residential	Estimated Commercial			
1997	722,635,700	484,321,200	156,506,600	1,363,463,500	22.02
1998	735,200,500	475,214,200	176,756,000	1,387,170,700	22.49
1999	746,472,500	473,478,000	188,488,200	1,408,438,700	22.88
2000	782,055,600	485,097,500	208,423,500	1,475,576,600	22.79
2001	815,027,500	499,936,900	222,823,400	1,537,787,800	22.54
2002	841,857,900	504,871,000	241,682,200	1,588,411,100	22.78
2003	896,351,100	516,447,000	278,430,400	1,691,228,500	22.52
2004	922,374,500	549,399,100	268,555,600	1,740,329,200	22.27
2005	990,170,000	618,388,000	259,687,300	1,868,245,300	20.97
2006	1,091,628,800	713,822,300	254,225,800	2,059,676,900	19.31

\* It is City policy to assess at 100% of estimated actual value.

<sup>1</sup> Personal Property consists of machinery and equipment

Table 7

**CITY OF BANGOR, MAINE**  
**Property Tax Rate - Direct and Overlapping Governments**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General City Government</b>	<b>General Fund Debt Service</b>	<b>Education</b>	<b>Penobscot County</b>	<b>Total Tax/ (Mill) Rate</b>
1997	9.61	1.08	11.33	0.88	22.90
1998	9.64	1.28	11.57	0.86	23.35
1999	9.67	1.10	12.11	0.92	23.80
2000	9.73	0.97	12.09	0.91	23.70
2001	9.64	1.01	11.89	0.91	23.45
2002	9.81	0.73	12.24	0.97	23.75
2003	9.51	0.74	12.27	1.08	23.60
2004	9.26	0.79	12.22	1.08	23.35
2005	8.20	1.18	11.59	1.08	22.05
2006	7.97	1.14	10.20	1.09	20.40

Table 8

**CITY OF BANGOR, MAINE**  
**Principal Property Taxpayers**  
**June 30, 2006**

Taxpayer	Business	2006			1997		
		Assessed Value	Rank	% of Total Tax Base	Assessed Value	Rank	% of Total Tax Base
General Electric	Manufacturer	\$ 90,470,700	1	4.39%	\$ 49,429,000	1	3.63%
BANMAK Associates	Shopping mall	52,486,200	2	2.55%	38,659,600	2	2.84%
Paradigm Development LLC	Utility	28,818,600	3	1.40%	21,608,000	3	1.58%
Bangor Savings Bank	Financial institution	17,119,800	4	0.83%	8,940,300	8	0.66%
QV Realty Trust	Real estate interests	13,286,100	5	0.65%	-	-	-
Eastern Maine Healthcare	Medical institution	12,566,900	6	0.61%	-	-	-
May Department Stores	Retailer	11,787,800	7	0.57%	-	-	-
Cabrel Company	Real estate interests	11,634,800	8	0.56%	8,575,100	10	0.63%
Airport Mall Associates	Shopping mall	10,987,200	9	0.53%	12,044,500	6	0.88%
Bangor Retirement	Retirement living	9,650,300	10	0.47%	-	-	-
Wal Mart Stores	Retailer	-	-	-	15,860,200	4	1.16%
Webber Oil Company	Fuel distributor	-	-	-	12,860,100	5	0.94%
Erin, Inc	Hotels/motels	-	-	-	10,699,500	7	0.78%
Fleet Bank of Maine	Commercial bank	-	-	-	8,911,800	9	0.65%
Totals		<u>\$ 258,808,400</u>		<u>12.57%</u>	<u>\$ 187,588,100</u>		<u>13.76%</u>

Table 9

**CITY OF BANGOR, MAINE**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year	Gross Tax Levy	Abate- ments	Net Tax Levy	Current Collections	% of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	% of Total Tax Collection to Net Levy	Outstanding Current Year Delinquent Taxes	Ratio of Current Year Delinquencies to Net Levy
1997	31,437,259	395,775	31,041,484	29,481,717	94.98%	1,570,081	31,051,798	100.03%	1,560,037	5.03%
1998	32,600,063	364,524	32,235,539	30,805,625	95.56%	1,543,779	32,349,404	100.35%	1,429,914	4.44%
1999	32,611,689	145,123	32,466,566	31,084,751	95.74%	1,503,187	32,587,938	100.37%	1,381,815	4.26%
2000	34,069,975	246,152	33,823,823	32,809,377	97.00%	719,683	33,529,060	99.13%	1,014,446	3.00%
2001	35,283,733	258,412	35,025,321	33,930,930	96.88%	1,565,244	35,496,174	101.34%	1,094,391	3.12%
2002	36,893,245	208,211	36,685,034	35,633,029	97.13%	1,655,407	37,288,436	101.64%	1,052,005	2.87%
2003	39,081,183	311,677	38,769,506	37,785,056	97.46%	1,506,817	39,291,873	101.35%	984,450	2.54%
2004	39,866,850	172,868	39,693,982	38,589,047	97.22%	1,154,693	39,743,740	100.13%	1,104,935	2.78%
2005	40,474,184	160,117	40,314,067	39,206,172	97.25%	1,310,311	40,516,483	100.50%	1,107,895	2.75%
2006	41,099,990	632,397	40,467,593	39,716,755	98.14%	1,327,356	41,044,111	101.42%	750,838	1.86%

Table 10

**CITY OF BANGOR, MAINE**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Per Capita*
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Revenue Bonds		
1997	\$ 19,688,747	387,498	39,342,533	5,365,000	64,783,778	2,058.00
1998	\$ 22,188,559	287,274	39,206,893	5,160,000	66,842,726	2,146.94
1999	\$ 21,254,395	352,735	41,636,421	4,940,000	68,183,551	2,214.97
2000	\$ 21,909,832	293,503	38,018,202	4,710,000	64,931,537	2,073.76
2001	\$ 22,806,350	223,910	37,931,078	4,465,000	65,426,338	2,078.81
2002	\$ 59,135,992	150,353	42,386,491	4,205,000	105,877,836	3,351.09
2003	\$ 57,669,023	326,159	47,854,061	-	105,849,243	3,355.93
2004	\$ 60,879,479	3,491	47,994,390	-	108,877,360	3,450.95
2005	\$ 59,419,229	-	46,774,080	-	106,193,309	3,361.08
2006	\$ 61,003,363	-	45,781,229	-	106,784,592	3,436.46

\* Source: Maine Department of Human Services (1991 through 1994), Maine Department of Human Services, Maine State Planning Office and City of Bangor (1995 through 2000) and U.S.Census Bureau (2001 through 2006).

Table 11

**CITY OF BANGOR, MAINE**  
**Ratio of Net General Obligation Debt to Assessed Value and**  
**Net General Obligation Debt Per Capita**  
**Last Ten Fiscal Years**

Fiscal Year	Population*	Assessed Value	Net Bonded GO Debt**	Ratio of Net Bonded Debt	
				To Assessed Value	Per Capita
1997	31,479	1,363,463,500	25,763,268	1.89%	818.43
1998	31,134	1,387,170,700	28,261,855	2.04%	907.75
1999	30,783	1,408,438,700	27,205,258	1.93%	883.78
2000	31,311	1,475,576,600	27,713,328	1.88%	885.10
2001	31,473	1,537,787,800	30,434,229	1.98%	966.99
2002	31,595	1,588,411,100	66,818,681	4.21%	2,114.85
2003	31,541	1,691,228,500	65,323,120	3.86%	2,071.05
2004	31,550	1,740,329,200	69,638,974	4.00%	2,207.26
2005	31,595	1,868,245,300	65,988,998	3.53%	2,088.59
2006	31,074	2,059,676,900	66,990,510	3.25%	2,155.84

\* Source: Maine Department of Human Services (1991 through 1994), Maine Department of Human Services, Maine State Planning Office and City of Bangor (1995 through 2000) and U.S.Census Bureau (2001 through 2006).

\*\* Net Bonded General Obligation Debt Consists of all non-self supporting general obligation debt, and excludes all Sewer Utility debt of \$26,019,973, Airport debt of \$8,523,365, Golf Course debt of \$692,647 and Economic Development debt of \$4,558,097.

**CITY OF BANGOR, MAINE**  
**Computation of Direct and Overlapping Debt**  
**June 30, 2006**

	<b>Total Debt Outstanding</b>	<b>Percentage Applicable to Bangor</b>	<b>Amount Applicable to Bangor</b>
Direct Debt			
City of Bangor			
General Obligation Bonds	\$ 106,784,592	100.00%	\$ 106,784,592
Overlapping Debt			
Penobscot County	263,415	23.64%	62,271
Total Debt	<u>\$ 107,048,007</u>		<u>\$ 106,846,863</u>



Table 13

**CITY OF BANGOR, MAINE**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>		<b>Debt Limit</b>	<b>Total Net Debt Applicable to Limit</b>	<b>Legal Debt Margin</b>	<b>Percentage of Net Debt to Debt Limit</b>
1997	\$	199,635,000	59,031,280	140,603,720	29.57%
1998	\$	208,852,500	61,395,452	147,457,048	29.40%
1999	\$	212,692,500	62,890,816	149,801,684	29.57%
2000	\$	215,017,500	59,928,034	155,089,466	27.87%
2001	\$	225,630,000	64,737,428	160,892,572	28.69%
2002	\$	240,937,500	101,522,483	139,415,017	42.14%
2003	\$	241,387,500	105,523,084	135,864,416	43.72%
2004	\$	261,240,000	108,873,869	152,366,131	41.68%
2005	\$	279,202,500	106,193,307	173,009,193	38.03%
2006	\$	309,495,000	106,784,592	202,710,408	34.50%

**Legal Debt Margin Calculation for Fiscal Year 2006**

Total State Valuation	\$ 2,063,300,000
Debt Limitation: 15 % of State Valuation	309,495,000
Debt Applicable to Debt Limitation:	
General Obligation Bonds:	
Municipal	68,992,409
School	11,772,211
Sewer	26,019,972
Total debt applicable to limit	106,784,592
Legal Debt margin	<u>\$ 202,710,408</u>

**CITY OF BANGOR, MAINE**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Table 14

<b>Fiscal Year</b>	<b>Population *</b>	<b>Median Household Income*</b>	<b>Median Age*</b>	<b>Public School Enrollment**</b>	<b>Unemployment Rate ***</b>
1997	31,479	Data not available	Data not available	4,408	4.80%
1998	31,134	Data not available	Data not available	4,377	3.60%
1999	30,783	Data not available	Data not available	4,410	2.99%
2000	31,311	Data not available	Data not available	4,281	2.85%
2001	31,473	Data not available	Data not available	4,316	3.01%
2002	31,595	29,740	36.1	4,205	3.12%
2003	31,541	29,740	36.1	4,019	3.40%
2004	31,550	29,740	36.1	4,006	4.30%
2005	31,595	29,740	36.1	3,989	4.50%
2006	31,074	29,740	36.1	3,962	4.40%

\* Source: U.S. Census

\*\* Source: Bangor School Department

\*\*\* Source: Bureau of Labor Statistics

**CITY OF BANGOR, MAINE**  
**Principal Employers**  
**June 30, 2006**

2006			1997		
Employees	Employer	Location	Employees	Employer	Location
1000-4000	Eastern Maine Medical Center	Bangor	1000-4000	Eastern Maine Medical Center	Bangor
	Bangor Mall	Bangor		Bangor Mall	Bangor
	University of Maine	Orono		University of Maine	Orono
	City of Bangor	Bangor		City of Bangor	Bangor
500-999	Shop & Save Supermarkets	Throughout	500-999	Fort James Paper Corp	Old Town
	Bangor Savings Bank	Bangor		St. Joseph Hospital	Bangor
	General Electric Corp	Bangor		Community Health/Counseling	Bangor
	Microdyne	Orono		Shop & Save Supermarkets	Throughout
	Acadia Hospital	Bangor		Bangor Mental Health Institute	Bangor
	St. Joseph Hospital	Bangor		General Electric Corp	Bangor

**CITY OF BANGOR, MAINE**  
**Full -time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**

Function	Full-time Equivalent Employees as of June 30th									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government	89	87	86	90	92	93	91	90	87	88
Public safety										
Police	79	79	81	79	85	86	89	86	87	89
Fire	98	94	98	98	97	95	95	97	96	97
Health, welfare and recreation	78	76	71	78	33	34	33	31	31	32
Public building and services	66	69	66	62	63	66	68	67	64	68
Education	575	571	568	580	583	574	574	561	571	573
Sewer Utility	24	24	24	24	23	23	23	23	23	23
Airport	69	75	73	75	76	82	72	73	75	76
Park Woods	3	3	3	3	3	3	3	3	3	3
Parking	3	3	3	1	1	2	2	2	2	2
Bass Park	8	9	9	10	10	9	9	8	9	9
Municipal Golf Course	3	3	3	3	3	3	3	3	3	3
Economic Development	1	2	2	2	2	3	2	3	3	3
Totals	1,096	1,095	1,087	1,105	1,071	1,073	1,064	1,047	1,054	1,066

Table 17

CITY OF BANGOR, MAINE  
Operating Indicators by Function  
Last Ten Calendar Years

Function	Calendar Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Code enforcement										
Building permits	Unavailable	Unavailable	565	509	494	471	474	522	514	537
Certificates of occupancy	Unavailable	Unavailable	476	388	354	295	358	342	341	432
Sign permits	Unavailable	Unavailable	126	120	129	85	96	98	107	115
Police										
Calls for service	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	22,213	24,407	23,945	27,052
Fire										
Calls for service	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	7,528	7,470	7,805	7,492
Sewer										
Treated flow (billions of gallons)	3.59	2.65	2.95	3.02	3.04	2.63	3.14	3.42	2.75	4.23
Biosolids (cubic yards)	Unavailable	8,594	9,184	8,519	8,272	8,683	8,308	9,379	9,280	9,348

Table 18

**CITY OF BANGOR, MAINE**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year			
	2003	2004	2005	2006
Public safety				
Police:				
Stations	1	1	1	1
Vehicles	42	56	57	51
Fire:				
Stations	3	3	3	3
Vehicles	25	20	20	24
Public works				
Streets (miles)	422	422	422	422
Sidewalks (miles)	99.6	99.6	99.6	99.6
Parks and recreation				
Parks	29	29	29	29
Parks acreage	950	950	950	950
Public swimming pools	1	2	2	2
Public golf courses	1.5	1.5	1.5	1.5
Indoor ice arena	1	1	1	1
Semi-pro baseball stadium	1	1	1	1
Sewer				
Treatment plants	1	1	1	1
Pump stations	5	5	5	5
Miles of sanitary sewers	103	103	103	103
Miles of combined sewers	44	44	44	44

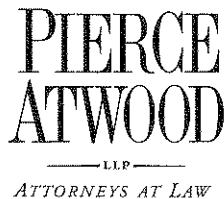
Only four years have been presented because 2003 was the year GASB Statement No. 34 was implemented.

**APPENDIX B**

**PROPOSED FORM  
OF  
LEGAL OPINION**

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One Monument Square  
Portland, ME 04101

207-791-1100 voice  
207-791-1350 fax  
info@pierceatwood.com  
pierceatwood.com

**Upon delivery of the Bonds described herein, Pierce Atwood LLP, Portland, Maine, bond counsel, proposes to issue its opinion in substantially the following form:**

[Dated Date of Delivery]

City of Bangor  
73 Harlow Street  
Bangor, Maine 04401

RE: City of Bangor, Maine  
\$3,555,000 2007 General Obligation Bonds  
Dated as of May 1, 2007 (the "Bonds")

Gentlemen:

We have acted as bond counsel to the City of Bangor, Maine (the "City") in connection with the issuance and sale by the City of the above-described general obligation bonds.

We have examined Title 30-A, Section 5772 of the Maine Revised Statutes, as amended, Article VI, Section 13 of the City's Charter, the record of proceedings submitted to us by the City, in connection with the issue and sale of the above-described Bonds, including among other documents, a certified copy of orders of the City Council adopted at its meetings held on September 26, 2005, August 28, 2006 and March 12, 2007 (collectively the "Bond Orders"), an approval of the City's Finance Committee dated May 14, 2007, and on the basis thereof, we are of the opinion that the issuance and sale of the above-described Bonds have been duly authorized by the City.

The Bonds should be signed by the Finance Director of the City and countersigned by the Chairman of the City Council to be sealed with the seal of the City attested by its Clerk, and should bear the signed certificate of the certifying agent identified thereon. We have examined Bond No. 1 and are of the opinion that said Bond is in proper form and duly executed by the City.

We understand the Bonds are dated as of May 1, 2007 and have been issued in the following denominations and principal amounts, bearing interest and maturing as of September 1 of each year as reflected hereinbelow:

<u>Sept. 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Sept. 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
2007	\$200,000	%	2017	\$200,000	%
2008	\$200,000	%	2018	\$195,000	%
2009	\$200,000	%	2019	\$145,000	%
2010	\$200,000	%	2020	\$145,000	%
2011	\$200,000	%	2021	\$145,000	%
2012	\$200,000	%	2022	\$145,000	%
2013	\$200,000	%	2023	\$145,000	%
2014	\$200,000	%	2024	\$145,000	%
2015	\$200,000	%	2025	\$145,000	%
2016	\$200,000	%	2026	\$145,000	%

Bonds maturing on or before September 1, 2016 are not subject to redemption prior to their stated dates of maturity. Bonds maturing after September 1, 2016 are subject to redemption prior to their stated dates of maturity, at the option of the City, on or after September 1, 2016, as a whole at any time, or in part in such order of maturity as the City, in its discretion, may determine at the times and at the prices specified therein.

In expressing the opinion set forth in paragraphs 3 and 5 hereinbelow, we have examined and relied upon the Arbitrage and Use of Proceeds Certificate, General Certificate of the Finance Director of the City and the City's Certificate Regarding Qualified and Designated Status (collectively the "Tax Certificates") delivered concurrently herewith, which contain representations, certifications, warranties, provisions and procedures regarding compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The City, in executing such Tax Certificates, has certified to the effect that the information therein is true and accurate and that the City will comply with the provisions and procedures set forth therein and do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds is not includable in gross income for federal income tax purposes. In rendering the opinion set forth in paragraph 3 and 5 below, we have relied upon the representations of the City set forth in such Tax Certificates, and we have assumed that the City will comply with the representations, certifications, warranties, provisions and procedures set forth in such Tax Certificates.

We note that the Code establishes certain requirements regarding use, expenditure and investment of the proceeds of the Bonds and timely payment of certain investment earnings to the U.S. Treasury that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Bonds to be included in the gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

We also note that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

With reference to the Bonds, we are further of the opinion that under existing law:

1. Under the Constitution and laws of the State of Maine, the City has been duly created and validly exists as a body corporate and politic and a municipality under the name of the City of Bangor, with lawful power and authority to adopt the Bond Orders and to issue the Bonds.
2. The Bonds, executed as above described and subject to due authentication, have been duly authorized and are valid and binding general obligations of the City, enforceable in accordance with their terms and all taxable property within the City (except to the extent that the City may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, and except to the extent that the City establishes or has established municipal development districts or municipal affordable housing districts pursuant to Title 30-A, Chapters 206 and 207 of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds) is subject to the levy of limited *ad valorem* taxes to pay the Bonds unless certain procedural requirements under 30-A M.R.S.A. §5721-A are met.
3. Based on existing statutes, regulations and court decisions, interest on the Bonds is excludable from the gross income of the owners thereof for purposes of federal income taxation. Interest on the Bonds will not be treated as a preference item in calculating alternative minimum taxable income of individuals and corporations; however, interest on the Bonds will be includable in the adjusted net book income or adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax imposed upon corporations and will be taken into account for purposes of the foreign branch profits tax.
4. Interest payable on the Bonds is not subject to Maine income taxes imposed upon individuals under existing statutes, regulations and decisions.
5. The Bonds will constitute “qualified tax-exempt obligations” under Section 265(b) of the Code.

The foregoing opinions are qualified to the extent that the enforceability of the obligations of the City, including the Bonds, may be limited by bankruptcy, moratorium or insolvency or other

laws affecting the rights and remedies of creditors generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have not examined and assume no responsibility for the financial condition of the City and nothing set forth herein shall be construed as assurance as to the City's financial condition or ability to make required debt service payments on the Bonds.

The opinions rendered herein are given as of the date hereof and we assume no obligation to update, revise or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

PIERCE ATWOOD LLP

By: \_\_\_\_\_  
James M. Saffian  
A Partner

**APPENDIX C**

**PROPOSED FORM  
OF  
CONTINUING DISCLOSURE CERTIFICATE**

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**CITY OF BANGOR, MAINE  
PROPOSED FORM OF  
CONTINUING DISCLOSURE CERTIFICATE**

In connection with the issuance by the City of Bangor, Maine (the "Issuer") of its \$3,555,000 2007 General Obligation Bonds, dated as of May 1, 2007 (the "Bonds") and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule"), the Issuer hereby covenants that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. The Issuer reserves the right to incorporate by reference its Official Statement dated May \_\_, 2007 relating to the Bonds (the "Official Statement"), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

1. The Issuer will provide to each nationally recognized municipal securities information repository ("NRMSIR") and the appropriate state information depository for the State of Maine ("SID"), if any (as of the date hereof there is no SID for Maine): (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2007, financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in the Official Statement prepared in connection with the Bonds regarding (i) revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) rate information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) such other financial information and operating data as may be required to comply with the Rule; and (b) promptly upon their public release, the audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles. Any filing under this certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

The Issuer reserves the right to modify from time to time the specific types of information provided under clause (a) above or the format of the presentation of such information to reflect changed circumstances, provided that any such modification will be done in a manner consistent with the Rule.

2. The Issuer will provide in a timely manner to each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB") and the SID, if any, notice of the occurrence of any of the following events with respect to the Bonds, if material:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - e. Substitution of credit or liquidity providers, or their failure to perform;
  - f. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
  - g. Modifications to the rights of securities holders;
  - h. Bond calls;
  - i. Defeasances;
  - j. The release, substitution, or sale of property securing repayment of the Bonds; or
  - k. Rating changes.

The Issuer from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Issuer, such other event is material with respect to the Bonds, but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

3. The Issuer will provide, in a timely manner, to each NRMSIR or to the MSRB and to the SID, if any, notice of a failure to satisfy the requirements of Paragraph 1 herein.

4. The intent of the Issuer's undertaking in this Continuing Disclosure Certificate is to provide on a continuing basis the information described in the Rule. The provisions of the Continuing Disclosure Certificate may be amended by the Issuer without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Issuer for the benefit of the beneficial owners of the Bonds, (d) to modify the contents, presentation and format of the financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of state legislation establishing the SID or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Issuer (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, no longer requires the issuers of municipal securities to provide all or any portion of the information the Issuer has agreed to provide pursuant to the Continuing Disclosure Certificate, the obligation of the Issuer to provide such information also shall cease immediately.
5. The purpose of the Issuer's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically enforce the Issuer's obligations hereunder, not to create new contractual or other rights for any beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by the Issuer to comply with any provision herein shall be an action for the specific performance of the Issuer's obligations hereunder and not for money damages in any amount. Any failure by the Issuer to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.
6. The NRMSIRs as of the date of this Continuing Disclosure Certificate are set forth in EXHIBIT A hereto.
7. The Issuer has never failed to comply in any material respect with any previous undertakings in regard to continuing or material events disclosure.
8. The Issuer's Finance Director, or such official's designee from time to time, shall be the contact person on behalf of the Issuer from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Deborah A. Cyr, Finance Director, City of Bangor, 73 Harlow Street, Bangor, ME 04401; Telephone: (207) 992-4253.

CITY OF BANGOR, MAINE

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_, 2007



**EXHIBIT A**

**NRMSIRs:**

**Bloomberg Financial Markets**

Municipal Repository  
100 Business Park Drive  
Skillman, NJ 08558  
PHONE: (609) 279-3225  
FAX: (609) 279-5962  
*www.MUNIS@bloomberg.com*

**DPC Data, Inc.**

One Executive Drive  
Fort Lee, NJ 07024  
PHONE: (201) 346-0701  
FAX: (201) 947-0107  
*www.nrmsir@dpcdata.com*

**Standard & Poor's Securities Evaluations, Inc.**

Attention: Repository  
55 Water Street, 45th Floor  
New York, NY 10041  
PHONE: (212) 438-4595  
FAX: (212) 438-3975  
*www.nrmsir-repository@sandp.com*

**FT Interactive Data**

Attn: NRMSIR  
100 William Street  
New York, NY 10038  
PHONE: (212) 771-6999  
FAX: (212) 771-7390  
*www.nrmsir@FTID.com*

**OR TO THE CPO:**

**Disclosure USA <sup>(\*)</sup>**

600 W. 8th Street (78701)  
P.O. Box 684667 (78768-4667)  
Austin, TX  
PHONE: (512) 476-6947  
FAX: (512) 476-6403 (FAX)  
*www.disclosureusa.org*

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NOTE: (\*) Paper or facsimile filings to the CPO (Central Post Office) incur a \$45.00 filing scanning fee through December 31, 2007. After 2007 paper filings will not be accepted.

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